Austria	Sch22	Indonesia	Rp3100	Oman	Or 1
Bahrain	Din0.700	Iraq	Nd210	Philippines	Pso40
Belgium	BFr49	Israel	NIS3.60	Portugal	Esc140
Cyprus	C£0.90	Italy	L2000	Qatar	Qr8.00
Denmark	DKr10.00	Jordan	Fils1000	S.Arabia	Rs7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.00	Lebanon	L£,400.00	Spain	Pta145
France	FFr7.00	Lux	LFr50	Sweden	SKr15
Germany	DM2.20	Malaysia	Rio4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh6.00	Thailand	Bht50
Hong Kong	HK$12	Malta	50c	Tunisia	Din1.000
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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D 8523A

POLITICS TODAY

The environment can-can

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World News

European Parliament attacks boat people policy

The European Parliament condemned the British Government's forcible repatriation of 51 Vietnamese boat people from Hong Kong this week and urged it to abandon the policy. Page 4

Bundesbank plan

The Bundesbank, West Germany's central bank, set a money supply target for 1990 that made clear its determination to hold down domestic inflation, while also stressing price stability as its main priority for a European Monetary System. Page 20

US defends policy

The US vigorously rebuffed criticism of its trade policy by the secretariat of the General Agreement on Tariffs and Trade. Page 20

Secret police may go

The East German National Security Office, which runs the country's secret service, is likely to be broken up or dissolved as part of the new Government's efforts to present a reformist face. Page 2

Chile's likely winner

Patricio Aylwin, Chile's opposition presidential candidate, appeared to be the likely winner in the three-man presidential contest Page 3

Mexico's new law

Foreign participation in Mexico's state-owned commercial banks is to be permitted under legislation approved by the Chamber of Deputies. Page 3

Airline warning

Mergers between leading airlines and capacity shortages at key European airports threaten to undermine the benefits of liberalisation, warns the Air Transport Users' Committee. Page 8

UN food warning

The United Nations' biggest food aid agency warned that a huge shortfall in contributions will make it unable to honour commitments to send food to hundreds of thousands of people in 1990.

Car union in pay row

West Germany's largest trade union is threatening an overtime ban against the nation's powerful car industry in a battle starting next month to win higher pay and shorter working hours.

Travel talks collapse

The plan for West Germany, France and the Benelux countries to sign an immigration and police co-operation pact today, designed to end frontier checks on travellers between the five countries, has collapsed. Page 2

EC transport grants

EC announced $66m worth of transport grants to help make the border-free single market planned after 1992 a practical reality.

Israel arms cut call

Israel's central bank chief ignited controversy by calling for cuts in the country's massive defence spending, citing evidence that Syria and Jordan had reduced their military outlays.

A1 price for 1A

Car number plate 1A was sold at Christie's auction house in London for £160,000 ($254,400) as the Department of Transport for the first time sold off some of its so-called "classic" licence plate numbers. Page 7

We apologise that unit trust prices and certain other tabular information in today's paper have not been updated due to technical problems.

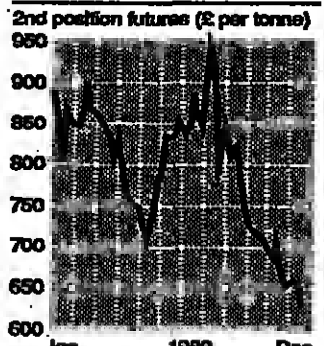
Business Summary

Swissair and Singapore Airlines form alliance

SWISSAIR signed a long-term co-operation pact with Singapore Airlines which is expected to lead to an exchange of equity between the two airlines. The two companies said they had agreed to work towards an exchange of up to 5 per cent of each other's capital within the next 12 months to cement their wide-ranging co-operation deal. Page 21

COCOA PRICES sank to fresh 14-year lows on the London Futures and Options Exchange as reports circulated of large producer sales. One rumour suggested that a leading French trading house had clinched a deal for 60,000 tonnes with the Ivory Coast, world's biggest producer. Page 34

Cocoa



MATRA, French electronics group, plans to merge its space activities with those of GEC Marconi of the UK, space and defence electronics group. Page 21

JAPANESE Ministry of Finance published rules to govern the entry of foreign companies into the fast-growing investment trust industry in the latest step to liberalising Tokyo's financial markets. Page 24

BTR NYLEX, Australian industrial group, is carrying out a A$680m ($535m) capital-raising exercise partly funded by BTR, UK conglomerate which owns 64 per cent of its shares. Page 21

BOND Corporation has agreed to sell the St Moritz Hotel in New York City to FAI Insurances of Australia, general insurance group, for $175m. Page 22

KOOR Industries, struggling trade union-owned Israeli group, has failed to win a $126m write-off from its creditors. Page 22

GREECE requested a one-year delay in complying with a European Community directive lifting restrictions on capital outflow so that Greeks can export drachmas freely for investment abroad. Page 2

MESA Limited Partnership, energy company controlled by Texas corporate raider T. Boone Pickens, plans to suspend common dividends because of insufficient cash flow from its natural gas business. Page 22

INTERNATIONAL Finance Corporation, affiliate of the World Bank which concentrates on private sector investment, has signed an agreement with NMB Postbank of the Netherlands to provide finance for small and medium-sized projects in developing countries. Page 24

PHILIPP HOLZMANN, big West German builder whose shares have risen sharply on building euphoria following the political changes in East Germany, is launching a one-for-four rights issue to raise DM338m ($194m). Page 23

OML, London arm of the expansionist Swedish electronic options and futures exchange, begins today after becoming the first foreign exchange to receive recognition to trade in the UK.

Hopes rise for early treaty on conventional arms cuts

By Robert Mauthner, Diplomatic Correspondent, in Brussels

THE PROSPECTS for an East-West agreement to cut conventional forces in Europe by the second half of next year improved greatly yesterday when the Nato and Warsaw Pact alliances both put forward separate proposals in Vienna.

The timing would meet the target set by US President George Bush and President Mikhail Gorbachev of the Soviet Union at their meeting in Malta earlier this month.

The decision by Nato foreign ministers to table their proposals in Vienna was made in spite of a long-running Greek-Turkish dispute which has been holding them up. However, the Warsaw Pact stole a march on Nato by presenting its own proposals earlier in the day.

Although Greek objections to the proposed exclusion from the arms reduction zone of the southern Turkish port of Mersin, from which the 1974 Turkish invasion of Cyprus was launched, have not been overcome, Nato has decided not to delay the conventional forces in Europe (CFE) negotiations any longer over this issue.

The Western allies have decided to table a draft CFE treaty which will specify that some problems, including a disagreement over tank definitions involving the UK, still remain to be solved.

Nato has proposed equal ceilings for each side for the main categories of offensive weapons, including 20,000 for battle tanks, 16,500 for artillery pieces, 28,000 for armoured troop carriers, 5,700 for combat aircraft and 1,900 for helicopters.

British Foreign Secretary Douglas Hurd (left) makes a point to US Secretary of State James Baker while West German Foreign Minister Hans Dietrich Genscher (right) listens to Nato Secretary General Manfred Wörner at yesterday's meeting of the alliance

It has also proposed an equal level for US and Soviet-stationed troops in Europe of 275,000. Apart from artillery and troops, these are similar to the ceilings proposed by the Warsaw Pact, but substantial disagreements over definitions of weapons remain.

The go-ahead for the CFE negotiations comes at an opportune moment. Mr Eduard Shevardnadze, the Soviet Foreign Minister who will be in Brussels next week for the signature of a Soviet-EC co-operation agreement, is due to have talks with Mr Manfred Wörner, Nato Secretary-General, next week. The meeting will be the first at the Nato headquarters in the city between a Warsaw Pact Minister and the Western alliance's top official.

The discussions are due to range over much of the agenda of the two-day Nato foreign ministers' meeting which started yesterday. Arms control will figure prominently in the talks, as will the proposed transformation of Nato and the Warsaw Pact from mainly military alliances into more political organisations responsible for managing East-West relations.

Mr Shevardnadze is expected to reiterate Mr Gorbachev's proposal for a second summit conference in Helsinki, where the so-called Helsinki accords were signed in 1975. The aim of such a conference, in the eyes of Moscow, would be to discuss ways of replacing the present system of hostile military blocs in Europe with a pan-European security system embracing both Western and Eastern Europe.

Although Nato ministers may not want to go that far, they are expected in their final communique today to accept the principle of a summit of the 35-member nations of the Conference on Security and Co-operation in Europe (CSCE),

Continued on Page 20

Bulgarians demand political reforms

By Judy Dempsey in Sofia

TENS OF thousands of Bulgarians yesterday surrounded the parliament, demanding free elections and the resignation of the Communist-dominated Government and the Communist Party leadership.

Deputies, uncertain about their political future, convened to consider the ruling party's future, draw up an electoral law and dismiss Mr Georgi Tanev, the Interior Minister. Meanwhile demonstrators booed, whistled and waved their fists.

The protesters shouted: "Sofia, Prague, Berlin," signalling their determination that the political reforms which have transformed the rest of Eastern Europe in the past few weeks should be fully extended to Bulgaria.

The Central Committee of Bulgaria's Communist Party decided earlier this week that the party's leading role should be deleted from the constitution.

Legislators yesterday approved that decision in principle but said any immediate move to implement it would be unconstitutional.

The crowds, among whom no clear leaders were apparent, appeared convinced that continuing pressure was the only means to prevent any backsliding by the party and Government.

The demonstration was a strong indication that the citizens of Bulgaria, long an unquestioning Soviet ally with relatively weak democratic traditions compared with those of central Europe, are not prepared to be left on the sidelines of East European reform.

The protest also suggested that the personnel changes at the top of the ruling party, which have followed last month's ousting of Mr Todor Zhivkov, the veteran leader, by Mr Petar Mladenov, Communist reformer, may not be enough to satisfy Bulgarian public opinion.

The ruling party's efforts to win over the population will be tested next year when the party faces the electorate in the first free elections since the Communist coup in September 1944.

The ascendency of the reformers was confirmed earlier this week during one of the most heated Central Committee sessions for years, when it blocked last-minute attempts by the conservative provincial party secretaries to postpone the decision to delete the leading role until the party congress in March.

The Subranie (Parliament) is due to delete the clause from the constitution. However, Mr Stanko Todorov, Speaker of Parliament, said the issne could be voted on only next month, for constitutional reasons.

Ryzhkov's strategy manages to offend everyone

By Quentin Peel in Moscow

WHEN Mr Nikolai Ryzhkov, Soviet Prime Minister, sat down from his presentation of the future of the Soviet economy, an almost perceptible groan went through the Congress of People's Deputies.

His speech was full of statistics, talk of resource allocation, wishful thinking about production and penalties for failures to perform. It could almost have been made 10 years ago.

He suggested a huge switch of investment from heavy industry to consumer goods production, by central command, to meet the popular resentment over perestroika.

The radicals deplored its lack of commitment to accelerated reform, a market economy, the use of economic signals, instead of administrative instructions. Worse, they saw the administrative apparatus being strengthened by the use of planning orders to tackle the immediate crisis. The conservatives thought it it did not go back far enough. It still paid strong lip service to a market economy – albeit a "socialist market".

Mr Ryzhkov rejected the concept of private property, and wholesale "denationalisation", but he still talked about a multiplicity of property relations. And he also rejected an outright rationing system.

So what was he up to? Was he trying to walk a careful middle path between radical reform and open retreat? Or was he really slipping back into the old ways to appease a conservative backlash?

The truth is he was trying to reconcile two irreconcilable paths, and he came up with a thoroughly uncomfortable compromise. As a result he offended practically everyone.

The two economic heavyweights in the Soviet Government are Mr Yuri Maslyukov, first deputy prime minister, full member of the Communist Party Politburo, and chairman of Gosplan, the state planning committee; and Dr Leonid Abalkin, academic economist, and deputy premier in charge of economic reform.

Dr Abalkin last month produced a programme which for the first time laid down a reasonably clear strategy for moving from the present half-broken central planning structure. The key is the progressive replacement of the plan-

Continued on Page 20

Editorial Comment, Page 18

UK launch expected of Eurobond backed by LBO loans

By Andrew Freeman in London

THE FIRST public Eurobond backed by bank loans which have financed US leveraged buy-outs is expected to be launched today in London.

A diversified portfolio of LBO loans, including names such as RJR Nabisco and Black & Decker, underlies the $620m transaction.

The purpose of securing the loans is to remove them from the balance sheet of the lending banks, thereby freeing up capital and reducing their exposure to the LBO market.

Banks' LBO lending has been under growing scrutiny from the Federal Reserve and banking regulators amid fears that they are becoming overexposed to this high-risk sector.

If an international market developa in the repackaged securities, this could represent a convenient method for the banks to rednce their LBO loans.

Such loans have been securitised before in the US, but this is thought to be the first issue to be marketed publicly to international investors.

The eight-year issue will be brought via a specially-created vehicle in four tranches by BNP Capital Markets, the London securities subsidiary of Banque Nationale de Paris.

The bank yesterday declined to comment on the deal, and would not specify which banks own the portfolio of loans.

A single $500m tranche will carry a credit guarantee from Financial Securities Assurance (FSA), a US company specialising in guaranteeing repayments of securities in deals backed by financial assets.

This gives the tranche the highest possible triple-A credit rating. It is likely to have a yield of around ¾ point over one-month London interbank offered rates.

The three remaining tranches carry higher margins, but have lower ratings and are riskier. The smallest and riskiest tranche of $20m has no credit rating, and offers a huge yield of 20 percentage points over Libor, thought to be one of the largest margins ever offered to investors.

This tranche would be the first to stop paying interest in case of default on any of the underlying loans.

Two intermediate slices of $50m carry margins of 0.75 and 2.75 percentage points, and are rated triple-B and single-B respectively.

Eurobonds, Page 28

Officials in Falklands fiasco

By Gary Mead in Buenos Aires and Richard Donkin in London

CIVIL servants who held senior administrative roles in Britain's Falkland Islands colony have been severely criticised in a government report which catalogues a series of financial blunders in a fishing company that contributed to losses of between £25m and £30m of UK taxpayers' money.

The report, by Mr Stewart Boyd QC, which followed an inquiry, has just been published in the UK without official comment. Listing the failures of what has become known in the islands as the "Seamount Affair," Mr Boyd described one of the most senior officials involved as "seriously neglectful."

He said Mr Brian Cummings, a former chief executive of the Falkland Islands – site fo the 1982 UK-Argentine conflict in the sonth Atlantic – who was sufficiently senior to deputise for the Governor, was "glib, evasive and unreliable as a witness" in the inquiry into the affair.

The report said there had been a serious error of judgment in a decision by Mr Cummings to make a visit with his wife to a Spanish hotel owned by a business connected to one company that was fishing off the Falklands. The visit meant that he was away from the islands at an important time when business and licence arrangements were being negotiated.

The report also highlighted concern at "first-class travel and over-lavish accommodation and other expenditure" on fact-finding trips made by some of the civil servants to the Far East.

Mr Cummings, who went to the Falklands from the Civil Service in Northern Ireland, has since left the Civil Service to become an independent fisheries consultant. He was at one time chairman of Stanley Fisheries, a company set up by the Falkland Islands Development Corporation to capitalise on the imposition of a 150-mile fishing conservation zone established around the islands in 1986.

The idea was that Stanley Fisheries would enter into joint ventures with fishing companies trawling for squid. The attraction for independent trawling companies was that hy entering such arrangements they would secure the licences they needed to fish within the zone.

One of the joint ventures, however, with Seaboard Offshore, an Aberdeen company that runs converted trawlers to service rigs in the North Sea, went disastrously wrong when Seamount, the joint venture company formed by Stanley Fisheries and Seaboard, became seriously overexposed to loans and foundered. The total losses are still not known but are reckoned to be upwards of £9m.

While Seaboard could claim to be the "second largest fishing vessel owning company" in the UK, the report said it was not made clear by civil servants that it did not actually fish for anything before the proposed venture.

The 17 or 18 joint ventures in the Falklands, most of them fishing schemes, are now being wound up at a loss, according to Mr David Lang, the Attorney General for the islands, of between £25m and £30m.

Background, Page 7

MARKETS

STERLING
New York lunchtime:
$1.5975
London:
$1.597 (1.595)
DM2.775 (same)
FFr9.495 (same)
SFr2.4975 (2.5125)
Y230.0 (229.75)
£ index 86.5 (86.7)

GOLD
New York: Comex Feb.
$413.1 (412.9)
London:
$408.25 (411.75)

N SEA OIL (Argus)
Brent 15-day
$19.025 (-0.6)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.736
FFr5.9405
SFr1.5645
Y144.05
London:
DM1.737 (1.74)
FFr5.94 (5.9475)
SFr1.5635 (1.575)
Y144.05 (144.1)
$ index 68.1 (68.0)
Tokyo close: Y144.07

US LUNCHTIME RATES
Fed Funds 8½%
3-mo Treasury Bills:
yield: 7.867%
Long Bond:
103$\frac{3}{32}$
yield: 7.848%

STOCK INDICES
FT-SE 100:
2,367.0 (-19.2)
FT Ordinary:
1,871.4 (-8.7)
FT-A All-Share:
1,179.48 (-0.6%)
New York lunchtime:
DJ Ind. Av.
2,745.95 (-15.14)
S&P Comp
350.11 (-2.64)
Tokyo: Nikkei
38,180.70 (+118.28)

LONDON MONEY
3-month Interbank:
closing 15$\frac{3}{32}$ (15$\frac{1}{16}$)
Liffe long gilt future:
Mar 92$\frac{11}{32}$ (92$\frac{7}{32}$)

MARKET REPORTS: CURRENCIES, Page 42; BONDS, Page 26
COMMODITIES, Page 34; EQUITIES, Pages 35 (London); 43 (World)

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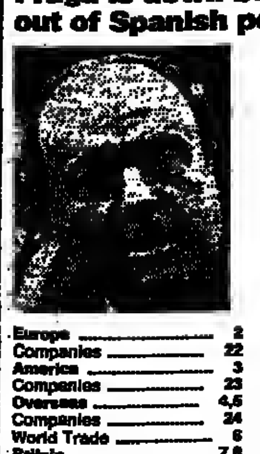
Fraga is down but certainly not out of Spanish politics



The career of Manuel Fraga Iribarne should have come to a sudden stop with the death of Franco, hia political mentor. But the grand old man of the right is running again, thie time for the leadership of Galicia. Page 2

EUROPEAN NEWS

Czech officials' corruption as great as in E Germany, report says

By Leslie Colitt

SENIOR Czechoslovak officials have disclosed details of corruption in the highest levels of the Communist Party and Government which match or even exceed that being exposed to East Germany.

Members of the ruling Czechoslovak Party Praesidium (Politburo), Central Committee department heads and senior Government and Federal Assembly officials were until recently lavishly supplied from the West with everything from microwave ovens and furnishings to milk (local milk contained impurities.)

Czechoslovak embassies in the West functioned as a conduit through which the illegal purchases were made. One official, who did not want to be named, said the embassies employed, and in some cases still employ, diplomats who were actually purchasing agents for an innocuously named "Supply" agency in Prague's 7th District which was dubbed "Laborka" (lab) by residents of the area.

It provided senior Czechoslovak officials with consumer goods in addition to delivering Western products for state receptions and diplomatic missions in Prague. The Czechoslovak diplomatic buyers paid cash for all their purchases from Western companies and were given discounts ranging from 5 to 15 per cent which they "pocketed," an official said.

He estimated that they earned "$10's of millions" over the years. No one at Czechoslovak embassies was permitted to control their activities as they were covered by the leadership.

But this was "small change" compared with the way the party and government leadership, senior functionaries and their families were provided with villas flats and weekend houses left behind by Czechoslovak emigrés.

Many of them were forced to leave because of their opposition to the party after the Communist takeover in 1948 and the Soviet-led occupation to 1968. Lists of these "impounded" homes regularly circulated among top officials to each okres (district) of the country. Thousands of these homes were assessed at an extremely low price and bought by senior members of the nomenklatura.

At Jevany, 35km from Prague, luxurious pre-war weekend homes which belonged to emigres were, and in some cases still are, occupied by senior functionaries the officials said.

"It is macabre" one of them remarked. "In 1939 the Jewish residents of Jevany and others were driven out by the Nazis. In 1948 their homes were taken over by the Communists and in 1968 the new party leadership under Husak moved to or built their own plush weekend houses."

Even the former Prime Minister, Mr Lubomir Strougal, often acclaimed in the West as a would-be-reformer, accumulated houses and flats "like on a Monopoly board" the officials said.

He bought one country villa at Orlik from the Ministry of Agriculture and still had several homes in Prague they noted. One of the three sons of the recently deposed party leader, Mr Milos Jakes, moved into a large flat on Prague's Wenceslas Square after an office of a large state firm and a first floor chemist's shop were evicted.

Another son of Mr Jakes was deeply involved in shady dealings according to the officials. He was an official of MON, an international journalist organisation based in Prague.

MON had a monopoly on foreign advertising in Czechoslovakia and the hard currency proceeds were used by the younger Jakes to purchase expensive videorecorders and colour TV sets which made their way into the homes of senior officials.

The former head of MON, who served as an ambassador until this month, covered these "financial machinations" but then turned against him and presented the incriminating material to Mr Gustav Husak, then party leader and President, who resigned the latter post last Sunday.

Mr Husak and Mr Jakes did not get along. But the young Jakes stayed in his post and saw to it that a more amenable MON director was appointed, a former deputy foreign minister whom he knew from student days.

Corruption filtered down from the leadership to virtually every district in Czechoslovakia the officials said. Leading district officials were (and in many cases still are) "on the take" the officials noted.

Carli says BNL's Rome headquarters involved in scandal

By John Wyles in Rome

MR GUIDO CARLI, Italy's Treasury Minister, yesterday gave the first official confirmation that managers at the Rome headquarters of Banca Nazionale del Lavoro were involved in channelling some of the $2.867bn of unauthorised loan commitments made to Iraq by the bank's branch to Atlanta, Georgia.

In the fullest statement he has yet made on a scandal which prompted the resignations in September of both BNL's president and director general, Mr Carli told the Senate's Finance Committee that credits involving Italian companies doing business with Iraq were channeled through Atlanta by BNL branches in Italy and by the credits and finance departments in Rome.

Their involvement had been "frequent", and no one had checked that their actions were in line with the bank's internal rules. The names of employees who appeared to have been involved were being sent to Rome magistrates, he added.

The minister said that total unauthorised commitments made by the Atlanta branch amounted to $2.867bn; hitherto the total had been thought to be $3bn. He said they fell into four categories: $1.798bn in favour of the Iraq central bank and the Rafidain Bank of Baghdad, $520m of letters of credit, some unused, issued by the central bank, $49m for various beneficiaries but attributed by Atlanta to Rafidain and $500m in favour of different clients and banks.

Investigators had managed to account for some $116m involved in financing arms to Iraq. Since the scandal came to light in early August the bank had warned the companies involved that payments would depend on detailed checks confirming that the products being supplied were actually those specified in the letters of credit.

Warnings over quick steps to reunification

By Leslie Colitt and David Marsh in East Berlin

EAST AND West German leaders stepped up warnings against encouraging dangerous sentiments to East Germany for a quick reunification with West Germany.

An extraordinary appeal for "non-interference" in East German affairs by West Germany's President, Mr Richard von Weizsäcker, made on East German television, was followed by a warning by Mr Manfred Gerlach, head of the Liberal Democratic Party in East Germany.

Mr Gerlach warned against the growing calls for German unity at the weekly Monday evening demonstrations in Leipzig which reached a peak this week. He admitted, however, that his own increasingly independent party had come out in favour of reunification "under certain conditions." But it could only take place in stages if conflict was to be avoided.

A public opinion poll taken earlier this month among 1,300 participants in the Leipzig demonstration showed that 75 per cent of those queried were for reunification.

This compared with 48 per cent in a poll taken in November of citizens throughout the GDR. Sentiments for German unity may have risen in the rest of East Germany, though, as a result of the indignation felt over disclosures of massive corruption in the leadership and excesses by the former Ministry of State Security.

Dr Peter Fischer, the head of the institute which conducted the poll, said the higher figure for Leipzig reflected the "catastrophic" condition of the city which was neglected by the leadership.

Of those who were for unification, 68 per cent said they were for a confederation in which East and West Germany cooperated closely but were politically independent.

West Germany's ultra-right Republican Party said it was encouraged by the calls for reunification.

A party spokesman told Reuters news agency in West Berlin it aimed to form an organisation in East Germany and contest free elections there in May.

An undisclosed number of East Germans were already members and efforts were under way to set up branches throughout the country, he said. "We think this tendency will grow," he added.

"We will contest the Volkskammer (East German parliamentary) elections. . . but there is a lot to do and we are under time pressure," he said.

Bonn wants rules eased on transfer of technology

By David Marsh in East Berlin

East German Economics Minister Christa Luft with her Bonn counterpart Helmut Haussmann

MR HELMUT HAUSSMANN, the West German Economics Minister, yesterday called for relaxation of rules on East-West technology transfer to help give trade and industry co-operation between East and West Germany "new perspectives."

Speaking after a day of talks with ministers from the new East German Government, he said an agreement on setting up an Economic Commission between the two countries would probably be signed when Chancellor Helmut Kohl meets Mr Hans Modrow, the East German Prime Minister, in Dresden next week.

Both sides declared themselves satisfied last night with the talks, which focused particularly on West German companies co-operating with the East in areas like medical technology, electronic control systems, energy, and environmental technology. The East German Government yesterday reiterated its desire to import more electricity from West Germany in order to cut its dependence on heavily polluting lignite-fired power-stations.

Mr Haussmann expressed pleasure that East German economic reforms now made it possible for small- and medium-sized West German companies to play a fuller role in rebuilding the East German economy. He praised in particular the planned joint venture with Volkswagen for building small cars in the south of East Germany. The role of small companies applied particularly to infrastructure projects, he said.

Legal changes are expected to be made by both countries by next February to allow joint ventures and to protect West German investments in East Germany.

Mr Haussmann yesterday met Mrs Christa Luft, the Deputy Prime Minister in charge of the economy, and Mr Gerhard Beil, the Foreign Trade Minister. He also saw Mr Modrow, emphasising the importance that economic links are playing in the move towards what both sides have termed "confederative structures" between the two Germanys.

On the question of international regulations on technology exchanges, Mr Haussmann said the system policed by CoCom did not come up in yesterday's talks. But, answering questions at a news conference, he called some rules affecting areas like telecommunications and machine-tools "senseless."

Signing of Schengen pact on frontiers postponed

By David Goodhart in Bonn, David Buchan in Brussels and Laura Raun in Amsterdam

THE PLAN for West Germany, France and the Benelux countries to sign an immigration and police co-operation pact today, designed to end frontier checks on travellers between the five countries, has collapsed.

Prime Minister Ruud Lubbers of the Netherlands yesterday revealed that Chancellor Helmut Kohl had requested eleventh-hour postponement of the signing of the pact between the so-called Schengen group of countries "in the light of developments in, and with, East Germany". Freer travel for East Germans, following the puncturing of the Berlin Wall, had raised fresh problems for the Federal Republic and four of its EC partners in abolishing border checks between themselves.

However, according to Mr Lubbers, the West German leader called for rapid solutions in the first half of 1990 to the latest problems, which also include French concerns about security and Dutch complaints about inadequate co-operation on tax fraud.

The agreement was to have been signed today in the tiny Luxembourg village of Schengen, where in 1985 the five countries committed themselves to ending border checks on people by January 1, 1990. The fate of the Schengen agreement is considered a key pointer to the European Community's aim of abolishing border checks between its 12 members by the end of 1992.

The accord got stuck on three points this week:

● Bonn had second thoughts on assurances to its Schengen partners that along the border between the two Germanys it would control the movement of non-East Germans living or transiting through East Germany, as distinct from East German citizens to whom it automatically gives free passage and offers West German passports. The Free Democrat coalition partners also expressed reservations about data protection in a Schengen crime computer bank.

● Luxembourg said it would only agree to lift bank secrecy in instances of suspected tax evasion, if such provisions covered the whole of the five states, including tax havens. The duchy has promised to settle the issue of bank secrecy within the EC context, while its four partners provisionally agreed this week to reach their own anti-tax fraud pact.

● Prompted by a current scare about Arab terrorism on its soil, France suddenly this week asked for tighter safeguards which would allow temporary suspension of Schengen free travel arrangements.

E Germany set to dissolve state security apparatus

By David Marsh

THE EAST GERMAN National Security Office, which runs the country's secret service, is likely to be broken up or dissolved as part of the new Government's efforts to present a reformist face to the public.

Yesterday's cabinet meeting discussed the proposal to scrap the Office, put forward at a round-table meeting with opposition groupings last week. Although the Office's press department said it believed its activities were being wound up, the Government has decided not to announce any decision until Monday.

Plain-clothed employees of the hated "Stasi" – whose name was changed this autumn from the Ministry of State Security – were bitter yesterday about the expected eclipse of their institution.

The state security apparatus, which has been responsible for thousands of cases of brutality against ordinary East Germans, has been in the eye of the East German revolution over the past two months. Parts of its regional network have already been dismantled.

One disgruntled Stasi man at the Office's brooding headquarters said the organisation had "done some good things," but "its reputation has been spoiled."

The Ministry's long-time boss, the much-feared Mr Erich Mielke, was arrested last week on suspicion of corruption.

The Stasi man said he had lost his job in the secret service, which employed an unknown number of agents to control the domestic population, and was set to carry out spying abroad. But he refused to say precisely where. A bulky man, describing himself as "an external employee" of the Stasi, said: "Not all areas need to be dissolved. We need to differentiate."

Mr Wolfgang Meyer, the government spokesman, said East Germany would continue to need to satisfy its "demand for security." This was taken to mean that some of the Stasi's activities, above all in the espionage field, may be transferred to other ministries.

Mr Rolf Schneider, the well-known East German novelist, said yesterday that the state security headquarters could be sold to Springer, the West German conservative newspaper group. He added sardonically that the agents now seeking jobs could be sent off to Third World countries as part of East Germany's development aid.

Another sign of reformist pressures came from Mr Manfred Gerlach, the interim state President and head of the East German Liberal Party. He said that the old federal structure of East Germany, dissolved in the early 1950s, should be resurrected under the new constitution likely to be in place by the second half of next year.

Sweden announces action to tackle labour shortage

By Robert Taylor in Stockholm

THE Swedish Government yesterday announced the first steps in an offensive designed to deal with the chronic shortage of workers in a country where registered unemployment is just 1.4 per cent and sickness absenteeism high.

Mr Ingvar Carlsson, the Prime Minister, said the Government wanted to bring many of the estimated 500,000 people who are neither unemployed nor at work but allegedly sick or in early retirement back into jobs.

The figures suggest that Sweden has the sickest workers in the world. Sickness, work accident insurance and premature retirement cost an estimated SKr45bn (£4.5bn) last year, or 4 per cent of Sweden's gross national product.

The Government plans to create a fund with more than SKr10bn worth of employers' contributions, which from next July will rehabilitate physically or mentally sick people through training and education for jobs. It is also expected to help finance workplace improvements to reduce labour turnover and absenteeism.

In a crackdown on abuses of the social security system, the Government has decided to make employers directly responsible for calculating their workers' sick pay entitlement to ensure that employees cannot, as some do now, both work and claim sick benefit.

From October 1991, it is stopping all early pension entitlement for people who say they cannot work because there is no job for them to do. The latest estimate is that 14,600 of the 346,000 early retirees are to that category.

The average Swede takes 26 days a year off work on top of the annual five to six weeks of legal holiday entitlement.

Polish budget foresees big cut in incomes

By Christopher Bobinski in Warsaw

THE DRAFT budget accepted by Poland's Government assumes a 25 per cent drop in real incomes next year, as plans designed to combat inflation are brought into force.

Next year, the Government says, industrial output will fall by at least 5 per cent, and the debt to the West will grow by $3.2bn from the present $40bn, under plans agreed with the International Monetary Fund opening the way to Western financial support for Poland.

Yesterday, officials at the Finance Ministry said it was hoped that a letter of intent with the IMF could be signed tomorrow, but that the broad outlines of the programme were already in place. For the first time in a decade, the budget, which has yet to be approved by Parliament, will be balanced, and real interest rates are to be introduced from the New Year.

Also, the price of coal, Poland's dominant energy source, is to rise fivefold and the removal of subsidies as well as price controls on other goods will double consumer prices in the first quarter.

At the same time, the Government is hoping that strict tax limits on wages growth will keep incomes from rising by much more than a fifth of the rise in prices in the belief that this will bring inflation down to a monthly 3 per cent growth as early as next April.

The zloty is to be devalued sharply and brought into line with the free market rate, as foreign trade controls are dismantled and limited convertibility introduced. Counter to the inclination of the IMF, which initially urged the Poles to adopt a fixed exchange rate, the value of the dollar will be "managed" by the national bank.

It is to this end that a number of Western governments are contributing a $1bn stabilisation loan to be used on supporting the zloty. Next year will see Poland showing a hard currency trade deficit for the first time since 1981, as imports are expected to grow by 13 per cent and sales abroad by a mere 2 per cent.

The Government is expecting to raise up to $700m in standby credits from the IMF, once the Fund has accepted the letter of intent next month.

EASTERN EUROPEAN countries will have to maintain extremely rigorous budgetary and monetary policies if they are to avoid a leap in inflation as they open up their economies, Mr Michel Camdessus, the IMF's managing director, has warned, writes George Graham.

Mr Camdessus, who visited Poland earlier this week, said East Europe faced the same kind of problems as countries with different ideologies when they tried to move from rigidly planned to market economies.

He proposed three lessons from the IMF's experience of these transformations:

● There is no room for gradual change, once the decision is taken to move to a market economy. "The mixed economy path is not manageable."

● Tight macro-economic controls have to be applied at the very beginning of the reform process because liberalisation of the economy releases enormous inflationary pressures.

● Reform of the whole economic system must be begun very quickly, with the creation of the institutions of a market economy, such as a company statute, a bankruptcy law and fiscal reforms transferring some of the pressure of taxation from companies to individuals.

Greece requests delay on free capital outflow

By Kerin Hope in Athens

GREECE HAS requested a one-year delay in complying with a European Community directive lifting restrictions on capital outflow so that Greeks can export drachmas freely for investment abroad.

Although Community officials would prefer to limit the postponement to six months, Greece's worsening balance of payments position is being cited as justification for a longer extension, bankers said. Full liberalisation of capital outflow had been set for December 31.

The current account deficit now seems likely to approach $3bn (£1.9bn), up from $973m last year. Transfers of capital and foreign exchange earnings from tourism are being held up because of continuing political and economic uncertainty. The liberalisation covers direct investment and purchases of property abroad, as well as portfolio investments.

At present purchases of securities issued by the Community or the European Investment Bank are limited to an annual total of Ecu50m (£36.5m). Travel allowances for tourists are limited to $600 a trip, but there are no restrictions on business expenses abroad.

However, considerable sums are smuggled out by individuals and companies, mostly for buying property or securities.

Fraga is down but certainly not out of Spanish politics

Peter Bruce follows the veteran leader of the main national opposition party on the campaign trail in Galicia

MANUEL Fraga Iribarne is no quitter. At the start of a speech in London recently he developed a fierce nose bleed and friends still remember with awe how he put a handkerchief to it and calmy carried on talking.

"People have been writing me off since 1977," he says with a chuckle.

By rights, his career should have come to a sudden stop with the death in 1975 of his political mentor, General Francisco Franco. But here he is again, the grand old man of the Spanish right, 67 years old, on the stump to a campaign bus and leaving aides a third of his age sweating to keep up. Still chairman of the Partido Popular (PP), the main national opposition, Don Manuel is running for the leadership of the regional government in Galicia and all the polls ahead of the elections next Sunday have him winning, though perhaps not with the overall majority he badly needs.

He has come home. His Galician father and French Basque mother met in Cuba, married in France and had him in what remains one of Spain's most impoverished corners. Mr Fraga has spent a long time away from Galicia's rancourous politics but it has been easy to slip back. "I not only speak Galician," he says, "but I have done my whole campaign in Galician."

The Galician election is mainly about stopping him winning an overall majority. Prime Minister Felipe Gonzalez's Socialists govern at present, having been helped toto office two years ago by a small nationalist party, but they will come second. In the meantime, almost everyone is being predictable and attacking Mr Fraga for his services to Franco.

He was the dictator's Information and Tourism Minister from 1962 to 1969, and largely responsible for establishing Spain as the premier tourist destination in Europe. Always a showman, he took a very public swim off the Costa de la Luz in 1968 to prove that a hydrogen bomb which had fallen into the sea from a crashing US B-52 had not caused any contamination.

> Don Manuel is running in next Sunday's election for the leadership of Galicia's regional government and all the polls have him winning, though perhaps not with the overall majority he badly needs.

Mr Fraga has always argued that he was a benign influence as Franco's chief censor. "Many people, hundreds, still in politics today, had official jobs under Franco," he says. "It is not a question of age. The problem is what people did. "I will not accept that anyone did more than me for democracy in Spain."

Ambassador in London from 1973 to 1975, after Franco died he came close to being asked by the King to form a Government. The honour, however, went to a younger Francoist, Adolfo Suarez. That began a chronic personal rivalry and explains why the centre-right has never really been able to hold its own in democratic Spain.

Much to Mr Fraga's satisfaction, Mr Suarez was Prime Minister only briefly, and has failed miserably to get a grip on Spanish politics since falling in January 1981. "We both wanted to lead the centre-right," says Mr Fraga, grinning slightly. "It so happened that at one moment he seemed to be the leader and then he wasn't."

Don Manuel's fortunes have been happier. He founded the Alianza Popular in 1979 and in the 1982 elections (which Mr Gonzalez won), the AP took 195 seats to become the main opposition. After failing to do much better in the 1986 general election, he turned the party over to a younger man with no burdensome past and shuffled off to the European Parliament.

But he had chosen badly. The new leader was soon out of his depth and Mr Fraga came back last spring as president of the AP, which he renamed the Partido Poular. He hand-picked a new successor, Jose Maria Aznar, who did brilliantly in the national poll last October.

That has left him free to go home to Galicia. "This is probably my last election," he says, hnt quickly adds that one never knows. His political obsession is that there exists in Spain a natural conservative majority (including Mr Suarez's party, and the conservative Basqne and Catalan nationalists) and he will not easily let go of the idea that someone has to draw it together.

Galicia is a good place to practise the down-home doctrines that drive him. It is a conservative, contemplative, place. Franco was Galician and so were Fidel Castro's parents who, like Mr Fraga's, emigrated to Cuba. "You have to remember that we are on the Celtic fringe of Spain," he says, as though that might explain the Castro boy.

It is harder to deal with the pragmatic Socialists now in control of Spain, though there is some comfort to the fact that Mr Gonzalez's conventional capitalist economic policies and his decision to stay in Nato are traditional conservative positions. Mr Gonzalez plays to the natural majority, too, leaving conservatives to attack him on style.

"Many of the things that have been done by the Socialists tend to be more than just the normal use of power," Mr Fraga says. The television service (which he once controlled) is biased. Spanish justice is not always fair. "No-one pretends nowadays that this is a Third World country," he says, "but things could always get better."

Fraga: grand old man of the political right

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Mexico opens state banks to foreign participation

By Richard Johns in Mexico City

FOREIGN participation in Mexico's state-owned commercial banks is to be permitted under legislation approved by the Chamber of Deputies late on Wednesday.

Foreign investors will be able to buy up to 34 per cent of new non-voting "C" shares. The government will retain its 66 per cent voting control through "A" shares, while private Mexican investors can continue to own up to 34 per cent through "B" shares.

The institutions were nationalised in 1982 but the system was partially privatised in 1987. In that year the private sector was allowed up to 34 per cent onwership as the banks were authorised to issue *certificados de aportación patromonial* (CAPs).

The aim is to strengthen the banks' capital and encourage overseas investment.

Mexico's largest banks – Banamex, Bancomer, and Serfin – all have capital exceeding the level of 8 per cent of assets established by the Bank for International Settlements as the norm. But some of the smaller ones are well below that level and require infusions of capital.

Foreign interest in Mexico's banks is unlikely to be large, though several regional banks have proved to been efficient and profitable. In general, however, the prices of CAPs so far traded on the stock exchange have lagged behind the average for the exchange.

At the end of September only Banamex and Bancomer had succceeded in issuing the full 34 per cent of CAPS presently permitted by law. The four weakest banks – Mercantil de Mexico, Bancreser, BCH and Banpais – placed none at all. Under the revised banking regulations the maximum capital in the forms of CAPS allowed to any individual is being raised from 1 to 5 per cent.

Congressional approval of the new regulation is seen as a further cautious move towards liberalisation of Mexico's protected financial sector. Eventually, it is hoped that it will be exposed to foreign competition in line with Mexico's commitments to the General Agreement on Tariffs and Trade. (Gatt), the international trade regulatory body.

Chilean opposition set for win

By Barbara Durr in Santiago

MR PATRICIO Aylwin, Chile's opposition presidential candidate, appeared to be the likely winner in the three-man presidential contest yesterday.

Ae voting proceeded smoothly in the country's first open elections for more than 16 years. Mr Carlos Cáceres, Interior Minister, said that the choosing of a president and a bicameral Congress "marked a crucial chapter in Chilean history". He pledged that the military government would respect the results.

President Augusto Pinochet, who has wielded power since he led a military coup in 1973, remarked on his way to vote: "It can be said that the mission of the armed forces is accomplished." Mr Cáceres said the mission "has been to restore order, put the economy to rights and create a new institutional framework founded on freedom and justice."

Mr Aylwin's victory margin was expected to be between 53.5 and 60 percent. There were few doubts that he would take more than half the total vote and so triumph in the first round.

Mr Aylwin's rivals – Mr Hernan Büchi, backed by the main right-wing parties, and Mr Francisco Errazuriz, an independent populist – were still hoping for an upset.

Results were far less certain in the contests for 120 House of Representatives seats and for 38 Senate seats. The 17-party opposition alliance hoped to win two thirds of the House and a solid majority of the Senate. The latter will have 47 members, nine appointed.

Montserrat bank row resolved

By Canute James in Kingston

THE CHIEF Minister of Montserrat, a British colony in the eastern Caribbean, has given up his fight against proposed changes to the island's constitution by the British government, and has accepted that responsibility for offshore banking be taken from the locally elected administration and given to the British appointed governor.

Mr John Osbourne, Chief Minister of the island of 12,000 people, had said he would fight the proposed constitutional changes "with my life." The amendments to the constitution are the result of the Barlow Clowes investment affair in Britain, when UK investigations of offshore banks on the 39-square mile colony revealed irregularities.

Mr Osbourne visited London last week to discuss the matter with the British government, and returned home admitting defeat: "The reason the government gave for the planned changes is that offshore banking does not take place only in Montserrat, but has to do with other nations of the world. So offshore banking does fall under Britain's foreign and international responsibilities. We did not have any answer to this argument because Britain is responsible for international affairs as far as Montserrat is concerned."

Following the Barlow Clowes affair, the UK government-ordered investigations of offshore banking in British territories. Irregularities in Montserrat were discovered by British, US and Canadian police. The licences of several banks were revoked and six Americans were charged with conspiracy to defraud.

In resisting the proposed constitutional changes, Mr Osbourne had argued that they would give the governor of the colony "wide powers" over the economic, financial and judicial affairs of the island, and would "take Montserrat back 200 years constitutionally."

US air ticket price 'collusion' investigated

By Peter Riddell, US Editor, in Washington

A ROUND of increases in US airline ticket prices at the end of September, led by American Airlines, is being investigated by the Justice Department to see whether there was collusion.

Several leading airlines have been asked to surrender internal documents about their detailed price and marketing decisions.

American, with other US airlines, has denied any collusion, insisting that its decisions are taken independently.

The Department has said the investigation is to determine whether "there was any agreement among two or more of the airlines in connection with the September 29, 1989, increase in airline ticket prices."

Mr James Rill, Assistant Attorney-General for the Department's anti-trust division, has signalled his interest in ensuring competition in the airline industry, regarding predatory pricing, computer reservation systems and the sale of gates at airports, as well as collusion.

The whole issue is complicated by the existence of computer networks in which airlines record daily fare changes. These are seen by some critics of the airline industry as a means for companies to signal to each other.

Colombia may vote on future of extradition

By Sarita Kendall in Bogotá

A COLOMBIAN Senate committee has approved a national referendum on extradition of Colombian citizens to foreign countries. It would be held in September, 1990.

The electors would be asked whether such extradition shall be allowed to continue. This mainly touches cases of Colombian suspected drug traffickers wanted in the US.

Government officials have been pleading for the committee to block the initiative, amid accusations that politicians and officials are selling out to drug traffickers.

The House of Representatives had voted to include the future of extradition in a referendum on constitutional reform to be held next month, and the Senate amendment remains to be passed by plenary sessions of both chambers of Congress before Parliament rises tomorrow.

If the September referendum goes ahead, President Virgilio Barco could yet veto the entire constitutional reform package. However, in that case, he would sink one of the Government's few successful political initiatives – its peace agreement with M-19 left-wing guerrilla movement.

Swiss freeze 'fraud' funds

By Ivo Dawnay in Rio de Janeiro

THE SWISS government has acceded to a request from Brazil to freeze the bank accounts of an unnamed Brazilian businessman, alleged to be involved in a $360m foreign exchange fraud.

Mr Saulo Ramos, Brazil's Justice said the Swiss government had blocked the accounts for 90 days to allow the Brazilian authorities time to present evidence that some $60m deposited in Switzerland was linked to actions against that country's laws.

The affair is alleged to have involved systematic use since 1987 of false documents to over-record imports and so authorise illegal transfer of hard currency abroad.

Menem sacks leader of last year's Argentine army revolt

By Gary Mead in Buenos Aires

COLONEL Mohamed Ali Seineldin, who a year ago led a four-day armed rebellion against Argentina's army chiefs, has been forcibly retired from the army by President Carlos Menem.

The 55-year-old colonel secretly returned from Panama at the end of November 1988 to lead 400 troops against the then chief of staff, General Dante Caridi. They demanded and achieved Gen Caridi's resignation.

Col Seineldin had served four years in Panama, two as military attaché at the Argentine embassy, and two as instructor of General Manuel Noriega's forces.

Following the Villa Martelli insurrection last December, Col Seineldin was briefly held in custody in a barracks in Buenos Aires. In October President Menem pardoned all who took part in the Villa Martelli incident, as well as soldiers who had taken part in two early mutinies led by former Lt-Col Aldo Rico.

In recent months there has been considerable speculation that Col Seineldin would be given the leadership of a special anti-drug trafficking battalion, a function which some observers regard with considerable irony, given his public support for Gen Noriega, who is wanted in the US on allegations of drug-trafficking.

Colonel Seineldin and President Menem have been friends for some time. Since October's pardon, Col Seineldin was passed over for promotion by the Army Promotions Board. Under Argentine military regulations that automatically meant his forcible retirement, unless President Menem (as head of the armed forces) overruled the decision.

Instead the decision has now been confirmed by President Menem in Decree no. 1453. Although Col Seineldin now has no formal military role, there are strong doubts that it will mean his disappearance either from Argentina's military or political scene. On November 11 he led a highly-publicised mass gymnastics display of several hundred military personnel in a Buenos Aires park.

He also retains considerable support from junior officers and other ranks in the army, as well as civilians who served in previous military governments.

Brazilian voters in a fever for change

Ivo Dawnay takes the pulse of a two-man presidential decider

MANIC Brazil is back on one of its periodic highs. Less than 72 hours before its first presidential election outside Congress for almost three decades, the country has been engulfed in a tide of excitement not witnessed since the campaign for "Direct Elections Now" in the early 1980s.

On Wednesday night, before delirious crowds tens of thousands strong, the centre-right front-runner, Mr Fernando Collor de Mello and his socialist challenger, Mr Luis Inácio Lula da Silva, made their final promises of profound change.

All the opinion polls suggest that the candidates are all but level, with Mr Collor perhaps marginally ahead but Lula gaining ground daily. The national television debate scheduled for late last night could be decisive.

However, it is already clear that the *status quo* established by 21 years of military dictatorship and unchanged by the impotent regime of outgoing President José Sarney is no longer acceptable to the Brazilian masses, nor even to many of the wealthy – its greatest beneficiaries.

Less obvious is how either candidate would cope with its gloomy legacy – inflation near 50 per cent a month, an exhausted Treasury, a huge public sector deficit, a moratorium on foreign debt service and, most immediately threatening, an intolerable internal debt.

Despite the efforts of each candidate to characterise his opponent as extremist, many believe that, for most of the 82m voters, the issues are not a matter of ideology but of trust.

"The electorate is not voting left or right," Senator Fernando Henrique Cardoso, a prominent sociologist, claimed. "They are voting for someone who can change things."

The campaign has also revealed characteristic Brazilian ironies. Mr Collor, for example, has been successfully painted by his opponent as the stalking horse for the country's discredited oligarchy. Yet his commitments to an opening of the economy, more foreign competition and an end to the cosy relationship between the state and private sector monopolies is genuinely radical. Furthermore, most of his backing comes from the most miserable segment of society – the rural poor.

Lula, on the other hand, is in many respects conservative, still seeing a strong role for the centralised state in guiding national development, despite the bankruptcy of its public sector companies and the public failure of its institutions.

A large portion of the middle class and even the elite (out of contrition, perhaps) will be giving its vote to Lula the former Volkswagen lathe operator on Sunday. This emotional response to the crisis has forced the details of economic policy and development models into a lesser prominence than the candidates' personalities.

In a country where television advertising portrays normality as a high-tech world of credit cards and private health care, it is no longer enough to sell the trickle-down effects of sound economic growth to a majority earning the equivalent of less than $100 a month.

Capturing the million or so floating votes able to decide the election means promising to deliver social justice as well. On that score, Lula appears to have been making most of the running. During the last two weeks, his potbellied man-of-the-people style and undeniable sincerity have systematically gained ground against Mr Collor's snappy suits and patriarchal habit of addressing voters as "My People".

On the other hand, the Workers' Party (PT) candidate's slogan – roughly translated: "Don't be afraid to be happy" – betrays a socialist utopianism strongly distrusted by those more interested in a president's ability to deliver.

At least some of the 6 per cent threatening to abstain are doing so for lack of a candidate who can combine Lula's heart with Mr Collor's more pragmatic head.

Young, smiling and backing Lula: A baby enjoys a party rally

Conservatives such as Mr Antonio Delfim Neto, Planning Minister under the military regime, are convinced that unrealisable expectations raised by the left will push its candidate further into the militant camp as failure looms. "We are going to become the most westerly country in Africa," he warns.

All the evidence suggests, however, that proximity to power is forcing the socialists to the centre. Discreet discussions have already taken place between the party's executive and business and military leaders on the way ahead.

Also, in a recent interview, the PT's principal economic adviser has even retracted some dogmatic postures, including the party's blanket opposition to privatisation.

For Mr Collor, the last few days have been a public agony as the repeated charge that he is "a scion of the dictatorship" has whittled at his poll lead. Some strong supporters of his liberal programme now believe that it might be better for him to lose, rather than let a credible policy be besmirched by half the electorate's strong distaste for its wealthy advocate.

Given that tough anti-inflationary measures are inevitable, let the left grapple with them and lose popularity, runs the argument. If the left stays in opposition, its will win a landslide in Congressional elections next October and destroy hopes for the liberal option.

No matter who wins the presidency, the problem of reconciling the public's hopes with the country's chronic economic malaise looks impossible. Neither Lula's promised social pact nor Mr Collor's Thatcherite reforms offer solutions to the immediate dilemmas posed by the combination of imminent hyper-inflation and a Congress adamantly opposed to action which would damage members' chances of re-election.

Many now believe that the inevitable consequences of the impasse between executive and legislature will be the early introduction of a parliamentary system of government and rule through a coalition of national salvation.

More sober citizens are more than aware that the election euphoria this week invariably signals depression next week.

European Parliament condemns repatriation

By Our Foreign Staff

THE European Parliament yesterday condemned the British government's forcible repatriation of 51 Vietnamese boat people from Hong Kong this week and urged it to abandon the policy.

"The European Parliament is appalled that the British government has begun the forcible repatriation of Vietnamese boat people," it said in a resolution.

Noting that the government had decided to suspend further moves, it urged the US, which has described the policy as unacceptable, to help find homes for the refugees.

Meanwhile, a Vietnamese man locked up in a Hong Kong detention camp for boat people yesterday tried to commit suicide by hanging himself with his blanket. Guards cut him down and he was taken to hospital where his condition was described as fair.

This sparked fears of possible outbreaks of violence in the camps, where tension is rising after the forced repatriations. Government spokesmen said that there appeared to be no connection between the two events, even though the Chi Ma Wan camp involved houses more than 2,000 people awaiting mandatory repatriation.

More than 5,000 boat people yesterday staged peaceful but angry marches and demonstrations against the repatriation policy for the second day running. They chanted: "We would rather die than go home" and "Death before repatriation".

Emotions are running high in the camps, which house a total of 56,000 boat people, of whom some 40,000 are likely to face forced repatriation to Vietnam. There are frequent outbreaks of violence between different groups of boat people and there is a risk that an isolated incident will spark trouble.

The man who tried to commit suicide yesterday had been locked in a cell after being accused with another man of robbery. He had claimed he was innocent. The other man set fire to his blankets and guards rescued them both.

Vietnamese boat people in a Hong Kong refugee camp protesting yesterday against forcible repatriation

HK nightmare for Mrs Thatcher

Robin Pauley looks at the question of passports for Hong Kong citizens ahead of the return of the colony to China

HONG KONG is turning into Mrs Margaret Thatcher's foreign policy nightmare. With international outrage over the start of forcible repatriation of Vietnamese refugees from the colony still ringing in her ears, the next uproar is imminent: how many of Hong Kong's 5.6m to let into Britain with full right of abode?

In spite of considerable pressure from politicians, Sir David Wilson, the Governor of Hong Kong, businessmen and a plethora of competing lobby groups, the Government has remained steadfast in its determination to issue only a small number of full passports to enable what ministers refer to as "key personnel" to stay.

About 40,000 heads of family will be given the full document which translates into between 140,000 and 160,000 passports, counting three-and-a-half to four as the average family size.

This is right at the bottom range of most hopes although above the 25,000 once being advocated by Home Office officials who have proved much tougher and less sympathetic on this issue than the Foreign Office, although each department has had Mr Douglas Hurd as its Cabinet minister at one or other of the decisive moments during the debate.

Many have argued that full right of abode should be offered to all Hong Kong people, even though the majority are thought unlikely ever to use it. Once this was ruled out, businessmen argued for a high number of passports to stem the brain-drain and thus give Hong Kong's thriving economy a better chance of continuing to prosper after 1997.

Some argued for 80,000, while a recent survey by Price Waterhouse indicated that the minimum number of people who should have full rights of abode was around 315,000, of whom 10 to 20 per cent were estimated to already have it. That left 250,000 to 280,000, representing about 700,000 to 800,000 more passports.

Around 3.5m Hong Kong residents already have British passports but they do not include right of abode. By 1997, when Britain hands the colony over to China, all 5.6m of the present population will be entitled to British passports but none will include the right to settle in Britain.

They will be virtually worthless, except as travel documents. This has resulted in a rapidly escalating flight of talent from the colony by people in search of passports to guarantee their security in case life under the Chinese becomes difficult or intolerable after 1997.

The outflow has speeded up dramatically since the massacre of demonstrators by China's People's Liberation Army in Peking on June 4. All businesses are affected as their educated and skilled staff, from accountants and analysts to zoologists and zip-makers, leave in search of their "insurance policy".

The number of new full passports is to be announced before Mr Hurd visits Hong Kong at the end of January and ministers are likely to announce it immediately before the Christmas recess, although the New Year is still possible. They will be divided between public servants and private sector employees once Mr Hurd and Mr David Waddington have resolved their dispute over whether to amend nationality laws (Mr Hurd's choice) or just to allocate a kind of entry clearance guarantee which would not require legislation (Mr Waddington's preference).

The allocation will be to individuals who will have to apply. Applicants will be judged on a points basis similar to, but not the same as, those used by Canadian and Australian immigration authorities. The Canadian model, in use since quotas were abandoned as being too unfair in 1976, is generally judged to be one of the best and most successful systems.

For individual independent immigrants a total of 100 points is possible; a score of 70 gets you into Canada. The same criteria are applied to everybody, but the maximum number of points available in some categories is adjusted from time to time in favour of skill shortages and against skill surpluses. Nurses, for example, are always in short supply and always score the maximum 10 points in the occupation category.

The categories are education (maximum 12 points); existing training and amount needed in Canada to become proficient (maximum 15 points); experience, based on years in job or trade (maximum 8 points); occupation (maximum 10 points); demographic, a category used to adjust immigration levels at any given time (5 points); age, in which 21 to 44-year-olds score the maximum 10 points; knowledge of English and French, fully bilinguals scoring the maximum 15 points; personal assessment (maximum 10 points).

That makes 85 points. The remaining 15 are used as a "kinship bonus" to award extra points to people with relatives in Canada who are not close enough for them to qualify for automatic entry under the family class immigration. Wives and children, for example, enter automatically. Brothers and nephews, for example, do not but they get the kinship bonus of 15 for the former and 10 for the latter.

There are some extra criteria. A score of zero in the experience and occupation categories is usually an automatic bar to entry. Canada's federal system means that provinces can vary the rules: French-speaking Quebec gives three points for good English, 15 for French, plus five more if the applicant's husband or wife can also speak French, while federal authorities give equal weighting to French and English.

English will be an important weighting in the scheme likely to be used to Hong Kong. "Service points" will also be awarded in the British scheme to give long-standing senior public servants – judiciary, police – a boost. The occupation category may get a heavier weighting than Canada and will operate to the reverse way Canada gives points according to how badly it wants people to move to Canada, while Hong Kong will give them according to how badly certain occupations are needed to stay put. Accountants and financial managers, currently leaving in droves, will probably get maximum points. Around 30,000 of Hong Kong "brightest and best" left in 1987.

This is now up to 45,000 to 50,000 and is expected to pass the 1,000-a-week level next year. Banks and trading houses have departments where every employee is going or planning to go, the favoured destinations being Canada and Australia. The process of gradually replacing expatriate staff with local staff at increasingly senior levels has ground to a halt in many companies because the Hong Kong staff want to leave rather than be promoted. International advertisements for expatriate recruitment have reappeared. Some of the larger companies, seeing the problem coming, have quietly been giving preference in recruitment to Hong Kong applicants who had already obtained a full foreign passport. About 50 per cent of the employees of Hutchison Whampoa, for example, have passports, although that still leaves a large number of senior staff who have not.

The low number of full passports to be issued by the British Government will create several problems. There is likely to be a very large number of applications, all of which have to processed and each applicant interviewed for the personal assessment.

There will also need to be an appeals procedure. A large proportion are going to fail to get enough points as the pass mark will have to be set very high to ensure that no more than the quota pass.

The failure rate will be a further spur to the failures to leave Hong Kong to try to get a passport elsewhere and if overall confidence in Hong Kong, already at a low and declining level, falls further as a result those granted full passports with right of abode might well be inclined to use them and move to Britain to start again quickly. That would be the exact opposite of the intention of what is anyway going to be a contentious exercise.

Mrs Thatcher's Hong Kong difficulties are far from over.

Mandela to meet black opposition leaders

By Patti Waldmeir in Johannesburg

MR Nelson Mandela, the jailed leader of South Africa's African National Congress (ANC), is to meet senior black opposition leaders next week in a further step towards starting formal constitutional negotiations.

On Wednesday, Mr Mandela held his first substantive talks with a South African leader, when he met Mr F W de Klerk, the President, in Cape Town. News of the talks took anti-apartheid leaders by surprise, and Mr Mandela may well use next week's meeting to allay their fears that he is negotiating with Pretoria behind their backs.

Senior officials of the Mass Democratic Movement (MDM), the largest anti-apartheid grouping, said they were surprised at the timing of the meeting, and were waiting for clarification from Mr Mandela.

They declined to comment on reports that Mr Mandela had delivered a document on the question of negotiations to former President P W Botha when he met him last July, and that the document had been discussed when he met Mr de Klerk on Wednesday.

The leaders Mr Mandela will meet next week – 10 members of the executive of the country's largest trades union federation, the Congress of South African Trade Unions (Cosatu) – are among the most senior in the anti-apartheid movement.

● A former policeman yesterday pleaded guilty to the murder of prominent anti-apartheid activist Griffiths Mxenge in 1981, saying he was part of a police assassination squad which carried out the killing. Although activists have long suspected the existence of such squads, it was the first such confession in court from a policeman who claims to have been involved.

China-Soviet talks likely next week

By Our Foreign Staff

CHINA is expected to hold high-level talks with Soviet envoys next week which seem likely to focus on the US-Soviet Malta summit and Peking's anxiety at speed of change in eastern Europe.

Also on the agenda may be the planned visit to Moscow next spring by Premier Li Peng, a leading but less than popular figure who was behind the killings of unarmed civilians in Peking last June.

A Soviet embassy spokesman in Peking said Mr Valentin Falin, head of the communist party Central Committee's foreign affairs department, would lead the Soviet delegation to the Chinese capital.

The visit seems designed to balance the US mission by Mr Brent Scowcroft, National Security Adviser to President George Bush, last weekend, which began to thaw the relationship between Washington and Peking frozen by the army's massacre in the summer. Yesterday a Chinese Foreign Ministry spokesman noted that both governments agreed that Mr Scowcroft's visit had been "positive, constructive and useful".

The Sino-Soviet meeting will provide opportunities for China to air alarm at the collapse of communism in eastern Europe.

Tax plan depresses Taipei stocks

By Peter Wickenden in Taipei

THE Taipei stock market dropped sharply yesterday for the second time this week as a controversial tax intended to dampen rampant speculation was debated in parliament.

The Government has proposed doing away with a capital gains tax on stock market profits, and doubling the rate of securities transactions tax. Its aim is to discourage the island's 2m small investors from buying and selling the same stocks several times in a matter of hours, and accelerate the maturation of the world's most overheated and overvalued market.

The Government announced a cut in the proposed level of the transaction tax from 1.5 per cent to 0.6 per cent as a sweetener just before the island's parliamentary elections early this month.

Whether it will bow once again to pressure from investors and cut the rate further is being seen as a test of the ruling Kuomintang Party's resolve after a worse than expected bruising in the polls.

The debate is not split along straight party lines. A number of legislators from the KMT and the newly powerful opposition Democratic Progressive Party were recently elected or re-elected with support from the island's huge securities industry, in which the number of stockbrokers exceeds the number of listed stocks.

The Government is also considering scrapping the current fixed 0.3 per cent transaction service charge, and allowing securities houses to charge lower fees for larger transactions as a further incentive to use the market for long-term investment rather than quick speculative gain.

Cooling the speculative fever that has gripped Taiwan in the last 18 months is seen as vital to social stability and continued economic growth. Taiwan's Medium and Small Business Association, which represents about 80 per cent of the manufacturing base, has supported Ms Shirley Kuo, the beleaguered Finance Minister, in defence of the 0.6 per cent rate.

Employers complain that the temptation to play the market is driving people out of the labour pool at a time when industry is desperately short of workers.

● Taiwan's Cabinet yesterday approved a four-year economic development plan, under which per capita GNP for 1990 will reach $8,386 with a target of $11,055 by 1993.

The consumer price index is projected to rise at not more than 3.5 per cent a year during this period. Over the four years, growth to agriculture is set at 1.5 per cent. Industrial growth in 1990 is forecast at 6 per cent, and in the services sector growth is expected to peak at 9.8 per cent in the same year. In the following three years, the services will expand more slowly at an annual average of 8.7 per cent.

The Council for Economic Planning and Development has two main strategies, encouraging domestic demand at the expense of export earnings, and the continuation of economic liberalisation. The island's trade surplus is expected to fall to $11bn, or 6.5 per cent of GDP next year.

Cautious Taiwan welcome for China dissidents

TWELVE dissidents who escaped from China to South Korea by boat last month arrived in Taiwan to a cautious welcome on Wednesday, Peter Wickenden writes.

They are the first big group fleeing persecution by Peking authorities for participating in pro-democracy demonstrations in June to ask for asylum in Taiwan and gain legal entry.

The nationalist government to Taipei, which still claims to be the sole legitimate government of China, has sent back hundreds of mainlanders who tried to make directly for Taiwan from ports in Fujian province. The only exceptions have been pilots who flew fighters across the Taiwan Straits, who were rewarded with gold bullion.

Caught unawares by the disturbances on the mainland in June, Taiwan has avoided making political capital out of them. It accepts mainlanders on the condition that they are involved in the pro-democracy movement and wanted by the mainland Public Security Bureau and that their lives would be in danger if they were sent back. The 12 have been issued with temporary Taiwan passports while their backgrounds are checked.

Bank puts squeeze on Aoun

By Lara Marlowe in Beirut

A FINANCIAL squeeze by the Lebanese central bank could succeed where Syria's army and Arab League diplomacy have failed in dislodging Gen Michel Aoun, the Christian leader entrenched in the Presidential palace at Baabda – unless the bank's measures merely consolidate the country's partition.

The Banque du Liban (BDL) under Dr Edmond Naim, began rationing transfers to the Christian enclave in September and suspended all payments in November because Gen Aoun's administration refused to account for past advances.

According to Mr Georges Achi, the president of the Lebanese Bankers' Association, who is close to Gen Aoun, the BDL wants Gen Aoun to account for 15bn Lebanese pounds (£21m) of which he acknowledges having received only L£3.5bn.

But Gen Aoun has warned that if the BDL withholds funds from his administration he will collect taxes within the Christian enclave. Taxation of some Christian businesses has already begun.

The Lebanese pound rose to 410 to the dollar following the Taif peace agreement on October 23 and the November 5 election of President Moawad, who was assassinated on

Aoun: tax warning

November 22. This week it fell to 480 because of the continuing political stalemate and fears of renewed fighting.

The suspension of BDL transfers to the east and the expatriation through the Christian port of Jounieh of an estimated L£30bn in cash by speculators while the pound was rising have led to a continuing liquidity shortage in the Christian enclave, where petrol queues have given way to cash queues.

● The six-year feud between Yassir Arafat's mainstream Fatah movement and Syria escalated yesterday when about 120 Palestinian guerrillas and Sunni Moslem fundamentalists from the Tawheed movement attacked the Syrian army garrison at Ensalle, just north of the Awali river.

Thirteen people were killed and 40 more wounded in the three-hour battle which was fought with jeep-mounted guns, shoulder-fired rocket-propelled grenades and AK-47 automatic rifles.

In Tunis, the Palestinian Liberation Organisation (PLO) condemned the attack, saying it would identify the perpetrators.

The Syrian command and the Sunni Moslem Nasserite militia which controls Sidon accused Fatah of having carried out the attack.

Three Nasserite militiamen were killed and 15 were wounded on the Awali bridge by the Palestinians as they returned to their bases just after dawn. A Nasserite tax collection post was gutted.

There are approximately 10,000 Palestinian fighters in the Ein Helwe and Mieh Mieh refugee camps in Sidon. They are hemmed in by Syrian troops to the north and the Amal militia to the south.

Yesterday's raid was the first time that the Palestinians have staged an attack across the Awali river.

France fails in bid to heal breach with Libya

By George Graham in Paris

A SHARP deterioration in relations between France and Libya has sparked off a round of shadow-boxing between the two countries.

Libya's participation in a meeting between foreign ministers of the European Community and the Arab League in Paris next week now seems to be compromised, only weeks after Colonel Muammer Gadaffi's government had appeared to be set on a thaw in its often stormy relationship with France.

The agreement in August between Libya and Chad, France's protégé, opening the way to a settlement of their border dispute, contributed to this thaw, although the preliminary agreement has proved more difficult to implement than had at first been hoped.

Following this agreement, the French government last month made a gesture towards Libya by announcing that it would restore three Mirage jet fighters. The move did not go against the EC boycott, instituted in 1986, on arms sales to Libya, since the three aircraft already belonged to Libya and were in France for repair.

The restoration of the aircraft, however, has now been delayed. The decision apparently follows a series of Libyan moves viewed as provocative by France: a letter from Col Gadaffi to President François Mitterrand complaining "in unacceptable terms" about the refusal of a number of French schools to allow Moslem girls to wear headscarves to class; the threat of reprisals against other Arab countries which took part in the EC-Arab league conference in Paris next week; and the cutting of telephone lines to the French embassy in Tripoli.

Libya has now also confirmed that it is boycotting French ships, or ships coming from French ports. The measure is thought unlikely to have any real effect, since French trade with Libya remains minimal, but was greeted by a French foreign ministry spokesman with "surprise and reprobation".

France, meanwhile, hopes Libya will decide to attend next week's ministerial conference, giving an opportunity to calm the game of tit-for-tat and restore more normal relations.

The attendance of Libya and Syria, however, would mean that the UK will not be represented at ministerial level, since it has diplomatic relations with neither.

Israel bank calls for defence cuts

By Hugh Carnegy in Jerusalem

EVIDENCE that neighbouring Arab states have recently trimmed defence spending has prompted the Bank of Israel to make a rare call for cuts in Israel's hefty defence expenditure to help rein in the budget deficit and control inflation.

With high unemployment and an expected wave of immigration by Soviet Jews adding to demands on government spending next year, Mr Michael Bruno, the central bank governor, has suggested to Mr Shimon Peres, the Finance Minister, that cuts should be made in the defence budget, which was set at more than shekels 10bn (£3bn) this year.

Mr Bruno pointed to a study prepared this year by two Israeli academics which showed downward trends in defence spending in Egypt, Syria and Jordan mainly as a result of domestic economic difficulties and less accommodating policies by foreign suppliers.

It has provided fuel for those in the government anxious to control the budget deficit, which is on a rising trend, and who feel the defence establishment could absorb cuts.

Bombay bourse gives Singh vote of confidence

David Housego reports on how the life expectancy of the Indian coalition is being revised upwards

AMID the uncertainties of India's general election campaign, a development that hardly anybody foresaw was that the defeat of the Congress party and the emergence of a minority coalition administration under Prime Minister V.P. Singh would be followed by a bull run on the Indian stock market.

But the surge in prices that carried the Bombay index past its peak earlier this week is a sign that opinions of Mr Singh's administration are being revised upwards.

In Delhi there is a growing belief that the National Front coalition – dependent though it is on support from outside by both the left and the right – will last much longer than initial worries over potential political instability had suggested. There is also some hope that the fresh approach his Government is bringing to the problems of the Punjab and Kashmir and to India's disputes with its neighbours could yield rewards.

Large grey areas remain. In the management of economic policy, the new Finance Minister, Mr Madhu Dandavate, is having to juggle with populist pressures to provide manna before the state assembly elections in March, and the equally urgent need for restrictive measures to curb inflation and the Budget and balance of payments deficits.

He is thus straddled across a programme that on one side includes debt relief to farmers (though he hopes to minimise the damage to the balance sheet of the commercial banks) and selective curbs on imports. On the other side he is preparing the ground for what seems an inevitable application to the IMF for a further loan to bolster the sagging foreign exchange reserves.

Politically the most encouraging sign – and one on which both opponents and supporters are agreed – is that so far Mr Singh has been remarkably sure-footed notwithstanding the shifting sands on which he was left by an indecisive election result.

He managed his election to the leadership of the National Front in a way that marginalised his main rival, Mr Chandra Shekhar. With limited talent available, he has well distributed the ministerial portfolios. In the management of the economy, he has shifted Mr Gopi Arora – closely linked with former Prime Minister Rajiv Gandhi and the Bofors scandal – from the top civil service job of Finance Secretary to being India's executive director on the IMF.

He has brought back from Washington to be Finance Secretary, Mr Bimal Jalan – a conservative economist who was opposed to pushing the economy too hard in 1986/87 because of the risks of higher imports and debt – and who is currently the Indian director on the IMF. The advantage of this switch is to signal continuity in the management of economic policy while strategically placing two of the key actors in any talks with the IMF.

With no problems expected in obtaining a vote of confidence after Parliament re-assembles next week, the first important hurdle to face Mr Singh will be the state assembly elections. Thirteen states go to the polls including most of the larger states to the north, west and east. Five years ago Mr Gandhi, fresh from a landslide victory in the general election, was unexpectedly trounced in state elections a few months later – an event that proved to be the beginning of his undoing.

Some senior Congress officials believe that a similar fate will befall Mr Singh, and that all the Congress has to do is to follow a policy of "masterly inaction" for the contradictions within a Government that looks for support from both the right-wing radical Hindu BJP party and the Communists on the Left to reveal themselves.

There are several good reasons for thinking that history will not repeat itself and that the former opposition parties – most notably Mr Singh's Janata Dal and the radical Hindu BJP party – will follow up their victory in the general election by sweeping to power in the large states.

Mr Gandhi's landslide win in 1984 was born of the exceptional circumstances of his mother's assassination and went against the trend of a weakening Congress party. Since last month's defeat, the news from within the Congress party is that Mr Gandhi is still an isolated figure unable to come to grips with the rejuvenation the party needs. Close aides are despondent that the defeat does not seem to have given Mr Gandhi the jolt they had hoped.

Secondly, the Janata Dal seems well set to pursue the same strategy with its allies of putting up only one candidate against the Congress in each constituency.

Though there are real divisions between the northern-based Janata Dal, the BJP and the Marxists, there are also real pressures on them to hold together and thus to avoid the fiasco of 1979 when India's only other coalition government fell apart. Also this time round, Mr Singh is a far shrewder and more flexible Prime Minister than was Mr Morarji Desai at the head of the Janata government that took power in 1977.

Before the elections he hopes to demonstrate that even a minority administration can get things done – through such measures as the populist debt relief scheme for farmers, but also through providing more autonomy for state television and radio and by achieving some advance in the Punjab.

The final reason is that there are some signs that good sense will prevail over the proposed building of a new Hindu shrine at Ayodhya.

This is the time-bomb that could tear the coalition apart with Hindu fundamentalists committed to take a decision on going ahead with construction on January 26. But though these early days, there is also the first glimmer of a compromise.

If the National Front does do well in the state elections, new horizons open out for Mr Singh. The Congress would be reduced to a party with less than 200 seats in the lower house of Parliament, a temporary majority in the upper house, and control of only two or three of the larger state governments.

At that point Mr Singh can hope that Congress demoralisation and rivalry over the leadership could provoke a split – giving him an opportunity to build a new centrist party that could include Congress elements.

Alternatively he might draw the BJP or the Communists into a broader coalition. Between these two parameters many other combinations are possible.

Mercenary force ready to leave Comoro Islands

WITH French forces waiting offshore, the European mercenaries who seized control of the Comoro Islands nearly three weeks ago were due to start leaving last night, diplomatic sources said, Reuter reported yesterday.

Negotiations continued for French troops to ensure law and order temporarily in the Indian Ocean archipelago after the mercenaries left, the sources said.

Several of the 30 or so mercenaries would leave with their families on Thursday night's regular Air France flight to Paris, the sources said.

But mercenary leader Bob Denard, wanted in France on criminal charges, and the remaining mercenaries would take an aircraft to South Africa on Friday or Saturday, they added.

France has assembled a military task force of four warships, 400 elite troops, six Transall transport aircraft and five Puma helicopters to intervene in the Comoros if needed.

But the sources said France would not land its forces on the islands north-west of Madagascar unless until it received a formal request for military assistance from the civilian government of Interim President Said Mohamed Djohar.

The sources in the Comorian capital Moroni, contacted by telephone from the neighbouring French island of Mayotte, said the mercenaries, most of whom are French, would not be given political asylum in South Africa.

It would merely serve as a transit point to other undisclosed destinations, they added.

They said arrangements were being finalised for French troops to guarantee security in the Comoros after the mercenaries' departure.

The aircraft and 300 paratroopers are standing by in Mayotte at the eastern end of the Comoros archipelago and the four warships with 100 marine commandos are cruising outside Moroni.

The force has ostensibly been gathered to evacuate 1,600 French residents in the Comoros if necessary, but diplomats in Moroni and military sources in Mayotte said on Thursday that it could intervene to maintain law and order in the Comoros if requested.

The mercenaries, who command the 650-strong presidential guard in the Comoros, seized power after President Ahmed Abdallah was assassinated in mysterious circumstances on November 26.

Ethiopia will not discuss safe aid route with rebels

ETHIOPIA yesterday denied that it would discuss with rebels the opening of safe corridors through the battlegrounds of northern Ethiopia so that millions of people facing famine could receive food aid, Reuter reports from Rome.

An Ethiopian embassy official said a government delegation in Rome for talks with rebels from the northern province of Tigray did not plan to discuss a Kenyan appeal for aid channels to be opened.

A senior diplomat at the embassy said on Wednesday the issue would be on the agenda but the official said this was incorrect.

The government is meeting the Tigray People's Liberation Front (TPLF), with Italy acting as an observer, to work out a framework for peace talks. The agenda includes the choice of a chairman and procedural matters.

Long civil wars in Tigray and Eritrea, both devastated by drought, have hampered movement of food aid to the region where international aid agencies say as many as five million people face starvation.

Kenyan President Daniel arap Moi said on Tuesday he had asked the Addis Ababa government to open corridors in Tigray and neighbouring Eritrea.

Ghana's cedi strains to find its equilibrium

William Keeling examines Accra's colourful and resilient money changers who still control the market

ONE MILE from the centre of Accra lies the shanty-town of Nime 441, once renowned for its squalor, but today a beneficiary of the Ghanaian government's economic recovery programme.

There are new roads, cleaner drains and medical clinics for the population of 30,000. Most surprising of all, however, is a building newly painted in bright yellow. On its outer walls are pictures of foreign currency: $1, £50 and SFr100. It is the In God We Trust Forex Bureau.

Since the liberalisation of the exchange-rate in the mid-1980s and the subsequent legalisation of licensed money-changers, the nation's currency, the cedi, has been struggling for equilibrium on the free-market.

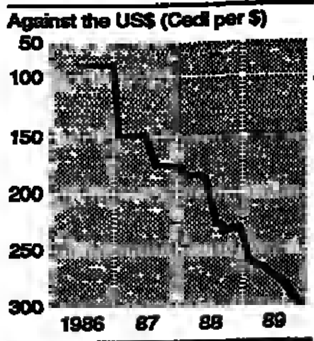
At present there are three rates in operation. At a weekly auction held by the Bank of Ghana, commercial banks are allowed to bid for foreign exchange on behalf of their customers; present bids average at 300 cedis to the dollar. At the Forex Bureaux, the dollar is selling for approximately 340 cedis. By acting without a licence and escaping taxation, black market operators offer a 5-10 per cent premium on the Bureaux rate.

The continued existence of the black market is a setback to the Government, which hoped that creating the Bureaux would stifle the illegal market. Many traders who use the Bureaux remain wary of committing transactions to paper. But a greater problem is an undercapitalisation of the official outlets.

As Amadu Jebkle, Deputy-Manager of In God We Trust, explained: "The black-market people have been in the business so long, they have more capital. We need more facilities to compete." As a result, illegal currency-hawkers still cater for over 60 per cent of small-trader foreign exchange demand.

Ghanaian Cedi

Against the US$ (Cedi per $)



The undercapitalisation of the Bureaux system is soon to be eased in a move which also aims to bring about parity between their rate and that of the auction. In the new year, 20 per cent of current auction funding is to be diverted to the Bureaux, a proportion which will steadily increase until November when the two market rates should theoretically merge.

The large disparity between the rates has been a source of concern, particularly to the IMF which views a single market rate as an essential part of the country's successful structural adjustment programme. At present there are no restrictions on who can bid at the auction or for what purpose, be it for importing goods or expatriating dividends.

There is reason to believe, however, that, as one Accra banker put it, the auction rate "has been manipulated by the authorities" to keep inflation down and prevent an upsurge in the price of basic commodities.

In February the range of bids soared from 232-240 cedis to the dollar in week one to 255-311 in week four. In the latter auction 64 per cent of bids were deemed ineligible, which many considered due to a foreign exchange shortage within the Bank of Ghana.

Though any connection with failing to meet demand is denied, in early March the central bank banned its commercial brethren from participating in the auction for allegedly breaching their credit ceilings, thus removing players who had previously accounted for over 60 per cent of transactions. Demand dropped from a February 17 high of $17.9m to a low of $3.27m.

Currency hawkers in street markets still convert half all foreign exchange traded

Since then the high bids have been ironed out (many believe by being declared ineligible) and the cedi rate to the dollar has crawled higher to 300. The IMF and World Bank clearly consider this rate to be artificial and believe Ghana should adopt a single rate.

The prospect of inflation rising as a result is of concern but the IMF is optimistic, believing firm control over credit ceilings should ensure that inflation does not rise above its present 20 per cent. A tight national credit ceiling is seen as the primary weapon in the fight for economic stability. As a result, there are no set criteria for calculating the ceilings of individual banks. Rather it would appear that a national figure is calculated, from which the banks are apportioned their share.

The effect of diverting auction funds to the Bureaux system is hotly debated. The Bank of Ghana believes the open market rate for major currencies will continue to drop - the dollar has fallen by 10 per cent in six months - but they are alone in this opinion.

Of the three major banks, one is known to be "hoarding" dollars and another predicts a rate of 575 to the pound sterling for next June (at present it is 530).

Taking account of inflation, this reflects a belief that the cedi will take to the uncharted waters of the single rate with relative stability. Behind the scenes, however, bankers are more likely to be hedging their bets. At such times, it is easy to understand why the Forex Bureau in Nima earned its name.

WORLD TRADE NEWS

Policy contradictions under scrutiny

William Dullforce on Gatt's latest national trade policy assessment

THE contradiction between unilateral US action to promote its trade interests and the Bush Administration's declared intention of working for a better trading system in the multilateral forum of the Uruguay Round is highlighted in a report filed yesterday by the General Agreement on Tariffs and Trade secretariat.

This inconsistency remained a major concern for all US trading partners, the report concluded.

In its separate submission to the council the US government underscored that its policy was grounded on "belief in the rule of law and the efficacy of market-oriented economies." But it acknowledged that the persistent US trade deficit had influenced domestic debate about the direction of policy and it insisted that unilateral action was sometimes the only viable method of defending US interests.

However, only a small part of the Gatt secretariat's deals with the most controversial aspect of US trade policy – the obligation imposed on the US administration by the new Omnibus Trade Act in certain circumstances to act unilaterally against countries regarded as unfair traders.

The bulk of the 175-page report details present US trade practices and provides what is probably the best brief compendium to date on how US policy is formulated and conducted.

It brings out the transparency in which policy is formulated in the public eye and the extent to which the US, the world's biggest trader, continues to provide a rapidly expanding import market with ample export opportunities for other countries.

Between 1982 and 1988 the dollar value of US merchandise imports climbed by 80 per cent while world trade, excluding the US, increased by 50 per cent. The US has remained the world's single largest import market for products from developing countries.

Nevertheless, while confirming the overall openness of the US market, the secretariat calls into account the relatively high trade protection still provided for several industries, including textiles, steel, automobiles, machine tools, semiconductors and some farm products such as sugar and dairy produce.

Tariffs, which form the principal instrument of protection for most products, are generally low. Weighted average tariff rates on industrial products are 5 per cent and on agricultural products 3.3 per cent – and 98 per cent of tariffs are "bound", that is, the US has guaranteed not to raise them again.

But the weighted averages are higher for some products, such as clothing (19.8 per cent) and textiles (10.5 per cent), and the Gatt report points to a number of non-tariff barriers, the US Administration's growing resort to voluntary export restraint (VER) agreements with other countries and an increase in anti-dumping action.

Although the proportion has been declining, 46 per cent of US machine tool imports were still subjected to VERs last year.

Farm export subsidy programmes have been expanded with the declared intention of countering large-scale subsidisation of agriculture in other countries but, the Gatt secretariat remarks, the effect has been to contribute to the distortion of the world market for farm products.

Domestic support measures to farming, government support for research and development, particularly in machine tools, semiconductors and the aerospace industry, are cited. Only about 10 per cent of federal government purchases, amounting to around $200bn a year, is covered by Gatt's government procurement code.

The rest is subject to the "Buy American" Act of 1933. The Administration says it is trying to minimise and eliminate "Buy American" preferences.

Another defect evoked is the simultaneous use within the US of different trade remedies. In disputes with Japan and South Korea over some electronic imports and with Hong Kong over clothing US competitors have invoked anti-dumping, intellectual property, anti-trust laws, the "escape clause" in the Trade Act and voluntary restraint agreements. Such practices impose lengthy and costly legal procedures on the exporters, irrespective of the eventual findings.

While recognising that in several instances the Administration has successfully defused pressure for trade restrictions, the Gatt report finds that actions taken to protect specific industrial sectors have been increasing.

It complains, too, that not enough is done to clarify the costs and benefits of such protection or about its impact on prices and on investment decisions.

Gatt report triggers worries over retaliation

By William Dullforce in Geneva

THE Gatt report, discussed yesterday, comes close to condemning the controversial US Omnibus Trade Act introduced last year. It says US laws provide solutions to US trade problems which are contrary to Gatt rules and discipline.

Under the revised Super 301 section of the Act the US Trade Representative can take mandatory retaliation against "unjustifiable" foreign trade practices, deemed to violate trade agreements. Such action need not be consistent with Gatt nor need it fulfil the Gatt requirement that governments must first seek prior approval from the Gatt council, the report says.

The secretariat refers to assurances by Mrs Carla Hills, the US Trade Representative, that retaliation would be used judiciously, only as a last resort and in a manner consistent with US objectives in the Uruguay Round.

But it recalls that the US resorted to retaliation in recent disputes with the EC over hormones in beef and with Brazil over intellectual property rights.

Use of section 301 had aroused a great deal of anxiety, the secretariat notes. It concludes that "the use made of the authority. . . over the coming months will continue to be a matter of serious concern."

In a brief dissection of the Omnibus Act, the secretariat highlights several points in which the Act has broadened the scope for US trade action:

● Introduction of stricter conditions to provisions calling for reciprocity in the government procurement area.

● Extending the range of criteria under which injury can be shown in subsidy investigations.

● Tightening of anti-dumping and countervailing duty laws.

● Power for the Trade Representative to revoke the injury test in certain cases when conducting countervailing investigations.

● Powers for the US International Trade Commission to consider producers of farm products as being part of the industry making the processed product.

● Extending the potential duration of import relief for US industries from five to up to eight years.

EC to present compromise code on anti-dumping

By Lucy Kellaway in Brussels

THE European Community will next week put its proposals for tightening the international code on anti-dumping to the Gatt talks in Geneva. It will suggest that the existing rules are clarified in a way that will lessen the room for manoeuvre by the investigating authorities.

The community's proposals represent a compromise between different views of the member states. The more liberal countries had argued for more fundamental changes, and had wanted the rules to include a clause under which anti-dumping action would only be admissible if the public interest was being harmed.

The community has suggested a series of minimum standards to be followed in anti-dumping procedures. The code at present merely requires that there should be "sufficient evidence" of dumping before an investigation can be started.

The EC has proposed that this evidence should contain detailed information on the complainants, on the export prices, on the injury sustained and on the link between the dumping and the injury.

The proposals make it more difficult for countries to impose provisional anti-dumping measures, as they contain the additional requirements that the dumpers should be given a chance to justify themselves, and that there must be preliminary finding of dumping and injury.

The paper may cause some concern among Japanese manufacturers producing in third countries. It suggests that where there is no local market in these countries, the relevant sales and distribution costs used should be those in the home country.

At present the system seeks to ascribe nominal values to these costs, which may be considerably lower than those in Japan.

The commission's suggestions will also make it easier for countries to impose retroactive dumping duties. The current arangements involve proving that the importer was aware that injurious dumping was going on – something that is in practice almost impossible to prove.

● The EC's own controversial rules of origin have received both a boost and a setback by a ruling by the European Court of Justice on a case of Japanese electronic typewriters assembled in Taiwan by Brother Industries.

The court has said that an "intellectual transformation" is not necessary in order to confer origin.

This may be a blow to the Commission, which has used this criterion in its recent tough anti-dumping decisions on semiconductors and photocopiers, arguing that the country of origin is that in which a technologically advanced part of the process occurs.

However, the court also said that it was up to Brother to prove that it had moved its production to Taiwan for reasons other than avoiding anti dumping duties. This would seem to be a victory for the Commission in its anti-dumping policies, as such cases are not easy to prove.

The court upheld the Commission's other tough criterion under which considerable technical and economic transformation is needed to confer origin. This will come as a relief to the commission, as a previous opinion given by the Advocate General would seem to allow simple assembling to pass the origin test.

EC urged to resist car import quotas

By Kevin Done, Motor Industry Correspondent

THE European Community should resist the growing pressures from leading car makers for a Community-wide quota on Japanese car imports, Professor Alasdair Smith, professor of economics at Britain's Sussex University, said yesterday.

A Euro-quota would raise prices in currently unrestricted markets and would cost West German consumers alone around Ecu1bn ($1.16m) a year, he said.

Professor Smith, an international trade economist, said that the best way to narrow the large gap in productivity and reliability between European car producers and their competitors would be to open the EC market to full international competition.

A total of five EC markets, Italy, France, Spain, Portugal and the UK, are currently subject to a variety of restrictions on imports of Japanese cars. These national restrictions will eventually have to disappear, however, if there is to be a single European market for cars after 1992.

Earlier this month the European Commission proposed the introduction of a system for "monitoring" Japanese imports to the EC for a transitional period, but it failed to give any details of the length of the period or the nature of the monitoring.

According to a research paper produced by Professor Smith for the London-based Centre for Economic Policy Research, the present quota restrictions reduce competition and impose heavy costs on consumers because they raise prices.

According to the CEPR research paper the restriction on Japanese car imports to the French market effectively raises their prices by 33 per cent, a cost to French consumers of around Ecu1.5bn ($1.741bn), equivalent to more than 5 per cent of total annual consumer expenditure on cars in France.

Professor Smith admitted that some of the benefits of higher prices went to European producers, especially the "national champion" companies which had large shares of the most protected markets.

Much of the benefit was actually gained by Japanese producers, however, since it was primarily their prices that were raised by the restrictions.

For the European market as a whole the restrictions cost consumers in France, Italy, Spain, Portugal and the UK around Ecu6bn, equivalent to more than 4 per cent of the total value of EC consumer expenditure on cars. The gain to Japanese producers totalled around Ecu1bn a year.

Professor Smith argued that there was a clear danger that a Euro-quota on Japanese car imports would become the cornerstone of a new CAP, a Common Automobile Policy.

Prices would rise in presently unrestricted markets, while an EC-wide restriction would not effectively protect Italian and French producers.

At the same time Japanese producers would be the main winners from a Community-wide quota, as they would be able to divert cars from competitive low price markets such as Belgium to higher price markets like Spain and Italy.

Quotas were also self-defeating given the heavy investment by Japanese producers in local vehicle production capacity in West Europe and the US.

Protection had not been effective hitherto in raising European competitiveness. "It is difficult to believe that another seven or eight years of protection will do any better," he said.

The Market for Cars in the Enlarged European Community, Alasdair Smith. Available from CEPR, 6 Duke of York Street, London, SW1Y 6LA. Price £2.

US backs textile reform talks

By Peter Montagnon, World Trade Editor

THE US has told its trading partners that it is "committed to substantive negotiations" on reform of world trade in textiles as part of its contribution to the Uruguay Round of multilateral trade liberalisation talks.

Its statement came in a paper finally delivered by Washington this week to the Uruguay Round textiles negotiating group after months of dithering because of the potential reaction from its strongly protectionist textiles lobby.

The paper stresses the need for effective transition arrangements to be agreed for the period during which responsibility for regulating trade in textiles is shifted from the Multi-Fibre Arrangement to the General Agreement on Tariffs and Trade.

Though it makes only vague proposals, US officials have said privately that they hope it will be seen as a a gesture of negotiating good faith in what is a delicate political area for the Bush Administration.

The paper is being presented at a time when the US is seeking to show it means business in the Uruguay Round and establish it as a top trade policy priority.

The content of the paper itself is thus likely to make less of an immediate impact than the fact that the US has presented it all to the negotiating group, trade diplomats say.

One of its main proposals is that, during the transition period, trade in textiles should be covered by a system of global quotas or of global-type tariff quotas, perhaps allocated by country during the transition period.

Tariff quotas involve an escalating tariff structure with import duties rising, possibly to prohibitive levels, once a certain volume of imports is passed.

The US does not spell out this idea in detail but in its normal definition it would be a departure for the US Administration which has previously resisted them because its own exports could get caught up in such arrangements. Similarly, it is unlikely to find favour in Europe whose exporters do not face the same barriers on US markets as those from developing countries.

However, the US says the one advantage of this approach is that it would be simple and transparent.

"The structures we have in mind would also open a progressively increasing share of imports to open competition, thereby increasing the play of market forces and rewarding producers which are most competitive in global markets."

Japan plan for factory automation

By Nick Garnett

A $1bn programme to develop standardised systems for automating factories across the world and to produce a common computer language on shop floors is being proposed by some of Japan's biggest manufacturing groups.

Backed by the country's Ministry of Trade and Industry, Japanese industry is launching a series of initiatives to try to elicit the co-operation of companies and manufacturing agencies in the EC and the US.

The proposal would involve setting up research centres in Europe and North America, but the principal funding would come from Japan.

The move is supported by several Japanese manufacturers, including Toyota, Mitsubishi Electric, Fuji Electronics, and Kawasaki Heavy, as well as factory equipment suppliers, like Fanuc, the robot and machine tool controller maker.

Prof Yuji Furukawa of Tokyo University, who is vice-chairman of the Japanese industry committee pursuing the programme, denied yesterday that Japan wanted to impose its own standards on the rest of the world.

Prof Furukawa said that increasing globalisation of manufacturing, increasingly complicated relationships between companies, and shortages of labour for factories meant that common standards in computer language and production equipment were now very important.

However, some Western manufacturers believe that the strategy proposed by the Japanese would essentially benefit Japanese industry.

It would make it easier for them to duplicate Japanese factories outside Japan and reinforce the powerful position of Japanese suppliers of factory equipment, like the country's machine tool makers.

They also believe that use of computer language on shop floors is the biggest weakness of Japanese manufacturing and establishing a common international computer language would greatly benefit them.

The move towards standardisation would cover a broad range of topics, including advanced materials, factory hardware and software, and the equipment and computer language for integrating all aspects of production.

First order for new Airbus jet

By Paul Betts, Aerospace Correspondent

ALITALIA, the Italian national carrier, has become the first airline to sign a contract for the new Airbus A-321 twin engined short-to-medium range aircraft. The contract involves a $1bn order for 20 A-321 jets and options on 20 more.

However, the Alitalia order for the new stretched version of Airbus' best selling A-320 twin-engine 150-seat jet coincides with growing concern among Airbus partners over the repercussions of the British engineering union's strike at British Aerospace (BAe).

Airbus recently announced the formal launch of a $450m programme to build a stretched version of the A-320.

Airbus sources said yesterday that the strike at BAe's Chester plant, which manufactures wing parts for the Airbus programme, was starting to worry potential North American customers for the A-320.

Airbus marketing officials are trying to finalise a major deal in North America for the A-320, but the undisclosed customer is now understood to be worried by possible delivery delays caused by the strike.

Final assembly of A-320 and A-300 airliners has already been cut back by Aerospatiale, the French partner in the four nation Airbus consortium, because of the UK engineering strike at BAe over shorter working hours.

Aerospatiale has reduced final assembly of A-320 jets from six to three or four a month, and from four to three aircraft a month for the A-300 programme. The move is designed to keep output flowing at Toulouse, in south-west France, and avoid an eventual complete shutdown of production.

The recent settlement in the Boeing machinist strike which disrupted production of Boeing aircraft this winter has also put additional pressure on Airbus.

London double deckers just the ticket in Malawi

Mike Hall on Blantyre's transport revolution

THE sight of seven battered London double-decker buses racing through rebel territory in Mozambique must have amused the Zimbabwean soldiers who escorted them to the Malawi border recently.

They had been driven over 3,500 kms from the South African port of Durban. Before that they had been operating in Hong Kong and previously London. The buses, 20 in all, are the visible part of a UK company's first foray into Africa. They were re-fitted and re-painted and are now plying the main commuter route in Blantyre, Malawi's commercial capital, on a pilot basis.

Earlier this year Stagecoach Holdings, the UK's largest independent bus operator, bought 51 per cent of United Transport Malawi (UTM) from the UK's BET, which was pulling out of passenger transport in Africa. "It was a business opportunity that looked good," says Mr Brian Souter, chairman of the Perth company. "The company had a sound commercial and engineering base but above all, the environment was right."

Elsewhere in Africa, urban bus services are often run by subsidised and inefficient public companies. Private companies are often hindered by government controls on fares or foreign exchange for spare parts and new buses.

The result is a poor transport service and a deterioration in the quality of life for many. In the Zimbabwe capital, Harare, transport is a key political issue.

"Many workers here have to leave home at 4am," says Mr Mike Mushyabasa, a union leader at a chemical plant.

"They work a full day and it's 9pm before they get home. What kind of a life is that?" In the Zambian capital, Lusaka, the picture is even worse: over-crowded buses and long queues early in the morning and late in the evening.

The results have been dramatic. Turnover on the main commuter route has doubled

Thousands walk long distances or take unofficial and costly taxis. United Transport Malawi is a joint venture between the government and Stagecoach Holdings.

"The Malawian directors have a good understanding of the business," says Mr Souter. "The joint venture is vital." Government controls on fares are realistic. And like other businesses, with Malawi's structural adjustment programme, UTM has benefitted from import liberalisation and better access to foreign exchange for spare parts and additional vehicles.

The results have been dramatic. Turnover on the main commuter route has almost doubled in a few months. The company is studying extending the service throughout the city. A further 28 double deckers and other ordinary buses are on order for next year. A coach service has been opened to Harare via Lusaka and UTM is considering extending it to Botswana.

Mr Souter regards his African subsidiary as a "hobby" and stresses it is a minor part of the overall business which runs 2,300 buses in the UK, employs 7,500 and has a turnover exceeding £100m a year. But he realises its critical importance to Malawi, although it is likely to be a one-off investment in Africa for the time being.

"Most other countries seem to want to run their transport services as parastatals." In Malawi, UTM plans to introduce an employee share ownership scheme, the first of its kind, and to sell shares into a planned unit trust. "We have to look at new ways of bringing in local people to help develop an enterprise culture," says Mr Souter, a former bus conductor.

The company is training Malawian managers in the UK and is considering taking up a consultancy role in the next few years. "I think we've learnt a lot about African bus networks and other countries could use our expertise."

Norway aluminium smelter expansion

Sor-Norge Aluminium, a Norwegian company owned jointly by the Alusuisse group of Switzerland and the Oslo-based Hydro Aluminium, is to expand and modernise its aluminium smelter at Husnes, Norway, John Wicks reports.

This investment, totalling some NKr600m (£56.4m), will result in an increase of annual capacity from 68,000 to 100,000 tonnes.

FFr5.9bn European rail order

By William Dawkins in Paris

THE French, British and Belgian railway boards are about to sign a FFr5.9bn (£580m) contract for 30 high-speed locomotives to run across northern Europe after the opening of the Channel Tunnel in 1993.

The order, to be signed in Brussels on Monday, will be followed later by a second contract for 20 TGVs (Trains à Grande Vitesse), making this the biggest purchase of its kind made by the SNCF, the French rail board, for four years.

British Rail will buy 14 of the FFr200m locomotives, SNCB, the Belgian rail board will take three, while France will take the remaining 13.

They will be built by a European consortium led by GEC-Alsthom, the heavy engineering company formed from last year's merger of General Electric of the UK and Alsthom of France. The other members of the consortium are Brugeoise et Nivelles Construction Ferroviaire and ACEC Transport of Belgium; the French electrical engineering groups Ateliers du Nord de la France and de Dietrich; and Brush Electrical Machines of the UK.

Delivery is due in mid-1992, just before the expected completion of the TGV-Nord Transmanche network, due to link Brussels, Lille, Paris and London.

These locomotives will cost more than double the FFr80m the SNCF paid for those running on its recently opened TGV-Atlantique line – its last big order – because they will be more powerful and will have to run on three different national electrical currents.

Unions reject plea for truce in ambulance strike

By Fiona Thompson, Labour Staff

AMBULANCE unions last night rejected a plea from management to agree a Christmas truce in the 18-week long pay dispute.

Mr Duncan Nichol, NHS chief executive, said he would pay accident and emergency ambulance crews full pay and bonuses, worth up to £420, if they would suspend their action from December 23 to January 1 and handle all 999 calls.

Mr Roger Poole, chief trade union negotiator, dismissed the idea as a gimmick. "What we don't want is a Christmas truce. What we want is an agreement."

Mr Nichol said he was making the offer as a gesture of goodwill. "We all want to see peace in the ambulance dispute, especially over Christmas."

He denied that his offer was an admission that the police and military were unable to provide an adequate service over the holiday and said there was no question in his mind that the service provided would be safe.

The offer only applied to emergency 999 crews, not the country's non-urgent crews. If these staff lifted their ban on non-urgent work they too would be paid, but if not, they would not.

Mr Nichol's offer came a few hours after talks between management and unions aimed at finding a resolution to the dispute broke down.

The meeting of the Whitley Council ambulance pay negotiating body lasted less than two hours. Mr Poole accused Mr Kenneth Clarke, Health Secretary, of scuppering the talks, saying he had refused to allow his managers to negotiate.

Mr David Rennie, chairman of the management side of the council, said the 9 per cent offer over 18 months was a good one. He said he could not give any more money without approval from Mr Clarke but stressed he did not intend to push for more.

He urged the unions to "think again and discuss the offer sensibly with their members outside the charged atmosphere of public meetings."

At the talks, the unions for the first time disclosed the pay figure they would be willing to settle for, thought to be 9 per cent over 12 months.

Mr Poole said 9 per cent over 18 months was totally unacceptable, but over 12 months could form the basis for an agreement. The compares with the original claim of 11.14 per cent.

The unions are also insisting on a pay formula, which Mr Clarke said he will not consider under any circumstances.

George appointed deputy at the Bank of England

By David Lascelles and Simon Holberton

MR EDDIE GEORGE was yesterday appointed deputy governor of the Bank of England in succession to Sir George Blunden.

The five-year appointment, which had been widely expected, was made at the instigation of the Prime Minister with the Queen's approval and takes effect from next March 1.

Mr George, 51, has been executive director with responsibility for home finance since 1982, a position which made him one of the best known and most influential people at the Bank.

A Cambridge economics graduate, he joined the Bank in 1962. His career has included spells at the Bank for International Settlements in Basle and the International Monetary Fund in Washington.

Mr George is highly rated in the City for his mastery of London's financial markets. He is seen as being instrumental in pushing through many of the reforms associated with Big Bang in October 1986.

In Brief

Government rejects new road plans for London

The Government has rejected many of the new road proposals which have been hanging over parts of London for the past 18 months.

In their place big improvements to existing roads are likely and Mr Cecil Parkinson, the Transport Secretary, has kept open options to ease traffic congestion in central London with a series of measures like tougher penalties on illegal parking. His plans met with criticism from Labour opposition and Conservative local council groups.

Smithkline cuts jobs

Smithkline Beecham, the Anglo-American pharmaceuticals and consumer-products company, announced a shake-up of its UK drugs operation which will mean the net loss of 344 jobs over the next two years – 12 per cent of its UK pharmaceutical workforce.

Ford helps Jaguar

Jaguar, the luxury car maker, is to start a review of its new-model programme in January to establish how the company's development might be strengthened with the help of Ford's resources.

CBI tax reform call

The Confederation of British Industry, the employers' association, called on the Government to simplify Britain's company tax system with the aim of reducing anomalies and inconsistencies and helping businesses to compete more effectively overseas.

Merrill Lynch move

Merrill Lynch, the largest US stockbroker, scaled back its involvement in UK equity market making, laying off several market makers and cutting back on the number of stocks in which it is prepared to quote a price.

BSB advance

BRITISH Satellite Broadcasting, a consortium whose main investors include Granada, Pearson and Reed International, is on the verge of approving the microchips needed to launch its five-channel satellite television service.

The rotting hulk of the Falklands fiasco

Gary Mead and Richard Donkin reveal a story of South Atlantic mismanagement

Moored up in Stanley harbour in the Falkland Islands is the rotting hulk of the Mount Kent, a former Hull trawler that was intended to bring prosperity to the islands but instead contributed to a fiasco of mismanagement that has helped pile up losses of between £25m and £30m.

Its sister ship, the Mount Challenger, never even made it to the islands, yet these were boats that the Falkland Islands Development Corporation, established by the Government in 1984, was expecting to be drawing in vast profits from squid fishing.

The story of the boats and their acquistion by Seamount, one of a string of joint venture companies set up between Stanley Fisheries, the corporation's subsidiary, and independent trawler companies, is a classic tale of what can happen to civil servants who run businesses with taxpayers money.

The trawlers were bought by Seamount, a joint venture company established by Stanley Fisheries, which had 51 per cent of the equity, and Seaboard Offshore, an Aberdeen-based company which runs a small fleet of ships to service offshore oil and gas rigs, which had a 49 per cent interest.

One fundamental feature of Seaboard outlined in the report into the affairs of Seamount carried out by Mr Stewart Boyd, QC, is that it was not a fishing company, something which two of the Stanley Fisheries directors were aware of but failed to point out when it was described as "the second largest fishing vessel owning company in the United Kingdom" in a paper put before their fellow directors.

This "utter lack of experience in fishing" among Mr Roderick and Mr Kenneth Mackenzie, the two Seaboard directors on Seamont, said Mr Boyd, could explain why they accepted uncritically the forcasts of catches and fishing rates that had been endorsed by Stanley Fisheries.

The report makes clear that the shortcomings in fishing knowledge were more than matched by the lack of financial acumen at Stanley Fisheries.

While two of the civil servant directors of Seamount, Mr Shane Wolsey, an assistant general manager of the corporation, and Mr Michael Gaiger, the Falklands Attorney General in 1986, escaped some of the most censorious comments in the report, Mr Boyd said both were "entirely without the financial skills necessary to carry out a commercial undertaking of this kind."

His most stinging criticism is reserved for Mr Brian Cummings, who, as chief executive for the islands, was the man responsible for bridging administration and economic development plans.

Mr Cummings' failure, as executive chairman, to carry out the decisions of the board of Stanley Fisheries, said Mr Boyd, was the "single most important factor in the Seamount disaster," said Mr Boyd.

The series of events which spelled out the failure of Seamount started with disagreements among some of Stanley Fisheries directors over real or potential conflicts of interests.

Also, the proposals for Seamount, said the report, showed that the company had a low proportion of equity capital to loan capital, leaving it vulnerable to any failure to generate cash flow from the sale of fish in the early months of the operation.

Mr Wolsey "knew next to nothing about the proposals" when he came into the company to take over from Mr Armstrong in October. At a time when Mr Wolsey needed more information Mr Cummings decided to go away and sent a fax to say he was "disappearing from the scene for a few days".

Part of those few days, said Mr Boyd, was spent by Mr Cummings in Sotogrande in Spain, staying with his wife in a hotel owned by J. Marr and Son, another UK fishing company with a joint venture in the Falklands. Mr Boyd described the visit as a "serious error of judgment" which led Mr Cummings to be withdrawn from joint venture negotiations.

The Seamount affair brought down the whole of Stanley Fisheries which had negotiated some 14 fishing joint ventures in 1987 with British, Spanish, New Zealand, Taiwanese and Falkland companies.

Criticising the joint venture companies the report said: "There were no accounting records or financial management systems for any of these companies: the financial transactions were not listed in any coherent form, there were no voucher files, no cash books, no systematic bank statement files, no reconciliations of bank records to Stanley Fisheries' records and no ledgers in any form".

Mr Boyd said in the report he had looked at whether any of the people involved had received secret benefits from the business. Civil servants who held directorships assured him they had not and there was no evidence to state otherwise. Neither of the MacKenzie brothers gave evidence to the inquiry.

"In their cases I am unable to say, on the evidence before me, whether or not either of them has received secret benefits from the Seamount joint venture," said Mr Boyd.

Seaboard said yesterday it had incurred a "large financial loss" as a result of the venture and had invested considerably more into Seamount than it had initially envisaged. It said it could not comment on the content of the report as there were "currently matters outstanding with Stanley Fisheries."

Classic sale gives Government £1.54m on a plate

By John Griffiths and Louise Kehoe

BILL Arnold thinks that those who gathered in Christie's London salerooms yesterday to pay a collective £1.54m for 74 so-called 'cherished' car registrations "must be crazy".

But then for $36 Bill, like all Californians – and residents of many other US states – can have any name or number plate he can dream up, provided only that it's not obscene and no one else already has it.

At Christie's, the willingness of an anonymous someone to pay £160,000 for the right to display the number 1A on his car in the UK left junior transport minister Robert Atkins lost for words.

The minister, hissed in pantomime style for opening the show by urging everyone to bid high for the good of taxpayers, clearly did not expect the ensuing slavish obedience.

His Department of Transport, which was disposing of some of the unusual plates held unissued in a registration system first started in 1903, had been told that with a bit of luck and a following wind '1A' might make £100,000 and beat the record for a private sale, of $98,000 for '1 VIP'.

1A: an anonymous buyer paid £160,000 for the registration

At a slightly more modest level, Dr Sheila Bell wrote a cheque for £43,000, including taxes, for JUL 1E as a Christmas present for her daughter.

Other purchases included £36,000 for "B1 LLY", bought by an anonymous man – that fetched £6,000 more than expected – while ANN 1E went for £29,000 to a telephone bidder.

If anyone was feeling slightly silly over paying such prices for what amounts to no more than a bit of exhibitionism, there was no sign of it.

The start of the sale was held up while hundreds of would-be buyers queued for catalogues to get in.

There was, however, no sign of Mr Cecil Parkinson, the Transport Secretary on whose orders the auction – the first of a series – had taken plsce.

The vast majority of people outside Britain are likely to be only bemused by – or perhaps derisory of – yesterdsy's antics. But the several dozen companies operating in the registrations 'private sector', who for years have made their living from buying and selling 'cherished' registrations already in circulation, claim the Government is unfairly stacking the plates against them.

It intends to hold a series of such anctions for an as-yet unknown number of unissued 'desirable' numbers – thus bringing literal meaning to supply-side economics for the registrations 'sector', and maybe flooding the market.

Just to rub it in, the Goverment will not be paying any auction fees. Buyers have to pay the 10 per cent commission – plus 15 per cent VAT.

For later, Mr Parkinson has another nice little earner up his sleeve – "Select Registrations". Under this scheme, from next Jnne, people will shle to buy the registration number of their choice.

The plate will have to start with the year's prefix letter (H for 1990). It must be followed by two number and finally three latters, thus creating gems like H1 BOB, etc.

While refusing as yet to disclose prices, the Department warns that "marks featuring single digits numbers will cost more than those featuring 10 to 20". On top of the purchase price will be an £80 "assignment charge".

His wife points out, however, Mr Arnold "is too tight to pay even $36".

UK NEWS

Aviation group criticises rise in airline mergers

By Paul Betts, Aerospace Correspondent

MERGERS between leading airlines and capacity shortages at key European airports threaten to undermine the benefits of airline liberalisation for consumers, the Air Transport Users Committee (AUC) warns in its annual report released yesterday.

The AUC's concern over airline mergers coincides with a spate of significant co-operation deals between international airlines seeking to strengthen their competitive position in an increasingly deregulated world airline market.

It also follows the decisions this week by Britisb Airways and KLM Royal Dutch Airlines to buy 20 per cent eacb in Sabena, the Belgian flag carrier.

Several smaller airlines have expressed concern over the Sabena deal, and British Midland, the UK regional carrier, has said it will file a complaint with the European Commission's competition authorities.

Mr John Cox, the AUC chairman, said yesterday that if capacity problems in the air and on the ground cannot be resolved, consumers are unlikely to reap any benefit from the increased competition that the latest EC airline deregulation proposals are intended to hring.

He added thet this concern was a consequence of the current trend of airline mergers and co-operation agreements.

"The danger is that this will squeeze out those new and innovative companies that offer new products at lower prices and give the user a genuine choice," he warned.

The AUC report also says that the British government's policy for a multi-airline competitive industry may fail if the links between the UK's regional airports and Heathrow and Gatwick in the London area are cut back because of the shortage of runway space in south-east England.

The AUC said this was a risk if the shortage of slots on London's crowded runways forced out the smaller airliners used on regional services to make way for more profitable long distance services operated by wide-bodied jets.

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Airport remains closed as workers reject settlement

By Ian Hamilton Fazey, Northern Correspondent

MANCHESTER Airport baggage handlers yesterday rejected a settlement of their two-week-old dispute negotiated late on Wednesday night and demanded more money to agree new shift patterns.

The airport remained closed for the fourth day as firemen in the same union as the handlers, Transport and General Workers, refused to cross picket lines, denying the airport minimum safety cover.

It is likely that the strike will continue over the weekend as the 550 strikers decided not to meet until Monday.

The dispute is over new flexible shift patterns that will give cover when required instead of on overtime.

The rosters have been agreed by both sides and management also offered a first-hour payment of £12.50 for an early start at 5am, which each man would have to work three times a year.

At the end other end of the day shifts, baggage handlers required to work until midnight would be allowed home early if they were not needed.

Union leaders, however, are demanding a double-time overtime payment for the hour after 5am, raising the price to about £20.

They say this would give the handlers parity with the airport's 250 security guards – also TGWU members – who also work flexible shifts.

Unit trust managers claim tax laws block exports to Europe

By Eric Short

UK UNIT trust management groups want to export their contracts to Europe, but the present UK tax laws are proving an impenetrable barrier.

This is the central feature in the pre-Budget submission by the Unit Trust Association to the Chancellor, Mr John Major, calling for tax changes in the present regime for unit trusts.

A survey by the Association of its members showed that many were actively interested in marketing their investment products in Europe.

But because of the present Uk tax laws, all interested managers were planning to or had already made arrangements to base their European operations outside the UK, mainly in Luxembourg or some other centre within the EC such as Dublin.

The submissiou highlights adverse features in the UK tax regime:

- Income from Uk trusts is paid net of tax with then have to be reclaimed by overseas investors from the UK Inspector of Foreign Dividends – a cumbersome and time consuming process. In contrast, Luxembourg-based funds, for example, make distribntions gross, leaving it to the investor to account for tax.
- UK unit trusts investing in overseas equities, pay a lower after tax income compared with local funds holding the same investments because income filtered through a UK unit trust is reduced by irrecoverable Advance Corporation Tax and by local tax barriers in certain countries.
- UK unit trusts face the threat of having capital gains classified as taxable trading income in certain circumstances – a tax treatment unique within the EC.

The UTA warns the Government that the UK unit trust market is already losing market share in tbe European Community, particularly to Luxembourg, result in loss of jobs and revenue as UK management groups establish Luxembourg operations.

In the forthcoming Budget, it is seeking a new fiscally transparent tax framework, designed primarily to compete with Luxembourg, particularly on paying income gross.

Tbe second stage would involve renegotiating tax treaties, while lobbying other EC Governments to cease favourable tax treatment for local collective investment vehicles.

Young says disclosure of BAe aid 'inevitable'

By Charles Leadbeater, Industrial Editor

THE European Commission was bound to pick up the Government's secret financial inducements to British Aerospace to persuade it to buy the Rover Group, Lord Young of Graffham, tbe Trade and Industry Secretary at the time of last year's privatisation, said yesterday.

Lord Young, in his fullest comments on the sale since the inducements worth £38m were disclosed two weeks ago, said all parties to the negotiations knew the payments would be picked up because it was inevitable the National Audit Office would investigate the sale.

This is the third official explanation of tbe Government's intentions at the time of the sale which was completed in August last year. The extra concessions included allowing BAe to defer payment of the £150m sale price until next year.

Immediately after the extra concessions were disclosed Mr Nicholas Ridley, the Trade and Industry Secretary, told the House of Commons that the payments were compatible with the EC's decision to cut the state aid given to Rover to reduce its debts.

Lord Young, speaking on BBC radio, said he doubted whether tbe Commission would ask for much of the state aid to be repaid as it was insignificant compared with aid offered to foreign companies such as Renault in France.

He said he could probably have got a better price from Ford, the US motor company, which expressed an interest in buying the Rover Group. But a sale to another car gronp would probably have led to job losses with the closure of Rover plants and suppliers.

Al Fayed: denies allegations

Al Fayeds win right to challenge Lonhro case

By Raymond Hughes, Law Courts Correspondent

THE claim by Lonrho, the international trading group, that it is entitled to damages from the Fayed brothers and Kleinwort Benson, the merchant bank, in connection with the House of Fraser takeover has been put back into the balance.

Three Law Lords, Britain's most senior judges, yesterday gave the Fayeds and the bank leave to appeal against the Court of Appeal's ruling in March that Lonrho's allegation of fraudulent misrepresentation by the Fayeds must be investigated at a trial.

They also, however, gave Lonrho leave to appeal against the striking out of its allegation of conspiracy against the Fayeds, Kleinwort Benson and Mr John Macarthur, a former Kleinwort director.

Last year the High Court struck the action on the ground that Lonrho had no arguable case. Lonrho alleges that the Trade and Industry Secretary's decision in 1985 not to refer the Fayeds' bid for House of Fraser retail group, which includes Harrods, to the Monopolies and Mergers Commission, which deprived Lonrho of the chance to make a counter-bid, was procured by fraud on the part of the Fayeds, House of Fraser Holdings, Kleinwort Benson and Mr Macarthur.

The Fayeds deny all allegations of fraud concerning misrepresentations of their commercial standing and worth.

Boys benefit when girls join their schools

David Thomas presents the second in a three-part series on fee-paying education

IN AN ERA of educational nncertainty, private schools have gained from their aura of stability and respect for traditional values.

Yet, in their quiet way, independent schools have also been undergoing dramatic changes.

Perhaps the most obvious is the move towards co-education among boys schools. A quarter of the 230 schools in the Headmasters' Conference, representing the leading boys' public schools, are now fully co-educational, while a further 99 take girls in the sixth form – the British equivalent of the US twelfth grade.

The roll call of schools which have gone co-educational in some form is long and impressive – King's School, Canterhury, Clifton, Marlborough, Oundle... the list is growing by the month, with Repton one of the latest to announce that it is joining the trend.

The motives for the switch are mixed. Idealism has played its part: some heads and governing bodies have reflected the view, increasingly articulated by parents, that co-education is better for the pupils, especially socially. But most are also responding to market pressure. That pressure has been felt in several ways. Schools have been squeezed by the decline in the number of children and by the growing unpopularity of boarding.

Then there is the sheer convenience of co-ednCation for parents with both boys and girls. "Not only were we not getting the girls, but we weren't getting their hrothers either, because parents were looking for a school to which they could send all their children," explains Mr Stuart Andrews, headmaster of Clifton College.

Clifton, unusually among the top tier of public schools, fee-paying schools educating children from 13 to 18, introduced girls at all levels, without an intervening stage of girls only in the sixth form. Clifton started the process in 1987 and one third of its pupils will be girls by 1993.

Mr Andrews echoes many heads in describing the impact of going co-educational.

Intellectually, the girls have introduced a healthy dose of competition for the boys. Socially, they have softened the harsher edges of an all-boys school.

Yet he does not underestimate the complexity of the process. "We have to take a school that is organised along fairly traditional lines and turn it co-educational without destroying its best traditions."

Clifton is also trying to ensure that the benefits of co-education are not all seen from the boys' perspective.

Careers advice has already been adapted. "Wa present engineering as just as suitable for girls as for boys."

Yet Mr Andrews believes Clifton was right to avoid the option of girls only in the sixth form. "By doing that, you're immediately saying that girls are going to be treated differently from boys."

Westminster School, tucked away in a London courtyard behind Westminster Abbey disagrees. It believes the 40 girls entering its sixth form each year benefit from the facilities it can offer as a leading boys' public school.

This is most obviously the case in science. Mr Peter Hughes, who quit the headship of St Peter's, York, to become Westminster's head of science, says that headmistresses of even well-known girls' schools have admitted thet they cannot compete with the science facilities at the top boys' public schools.

Mr Hughes points to more general benefits of mixing boys and girls in the sixth form. "The boys tend to be a little more active and intellectually stimulating, while the girls tend to be very conscientious and thorough. They complement each other very well."

This view – common in boys' schools that take girls into the sixth – does not please Mrs Averil Burgess, who as president of the Girls' Schools Association has been leading a drive by the girls' private schools to assert the benefits of single sex education.

"That sort of comment can only be made by someone who has never taught girls on their own.

I have girls here who are creative, hright and idle. I also have girls who are hard-working and quiet," says Mrs Burgess, the headmistress of South Hampstead High School.

The girls' school case is this. Subjects are not presented in stereotyped ways in single-sex schools, so girls are not put off doing the sciences.

Girls have role models of leadership in their teachers and, as senior pupils, are given the chance to exercise authority themselves. In mixed sixth form classes, by contrast, girls contribute less than the boys, often without anyone even noticing.

Mr James Pitt began work this September at the Mount School, York, an all-girl Quaker school, with the brief of building up a design and technology department.

In his teacher practice in a North Yorkshire comprehensive, he had studied the use of pieces of equipment by the boys and girls. When he told the boys they monopolised the use of tools like fretsaws, they reacted with outraged disbelief.

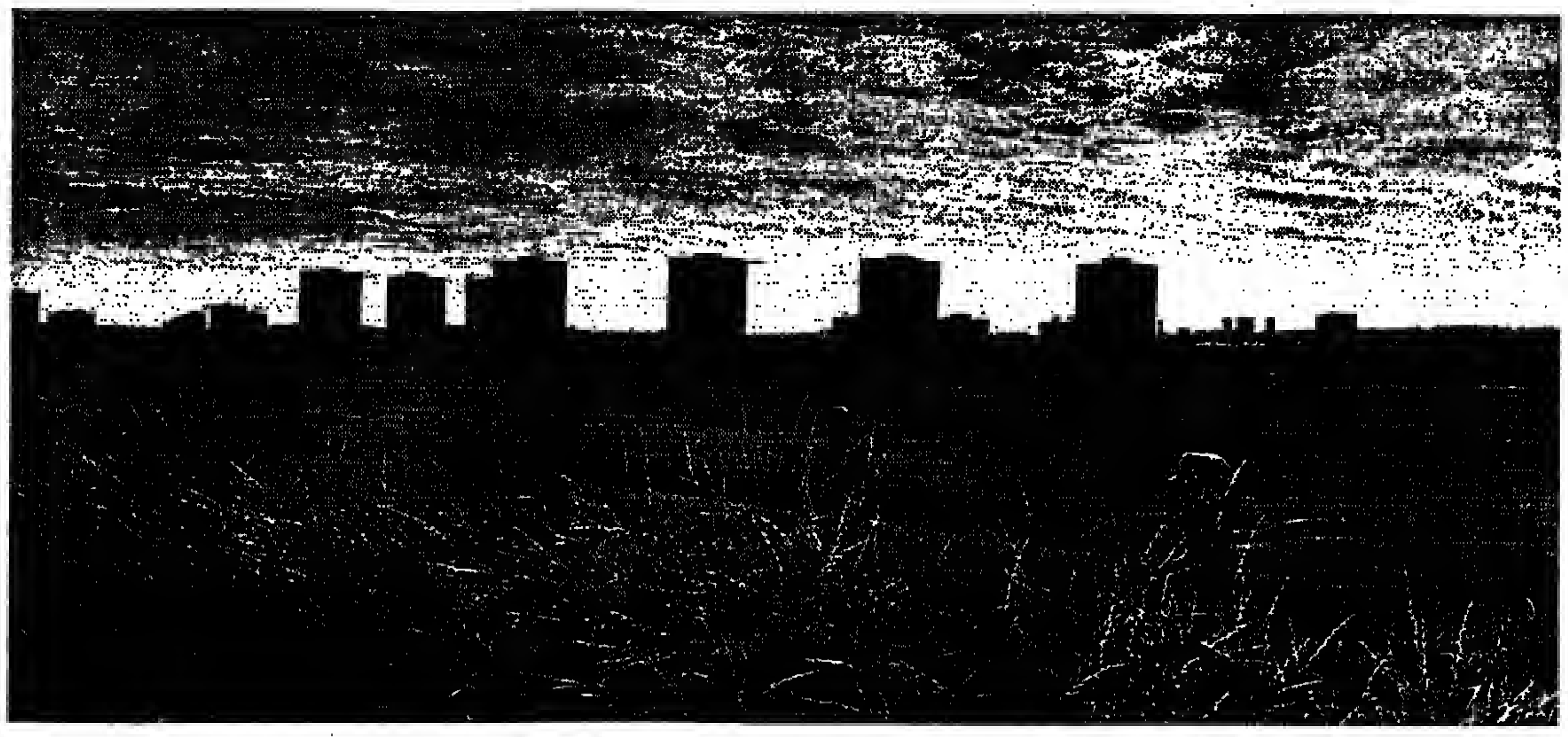
Mount School sends many girls to university to read sciences, though it admits that very few plump for engineering.

At Clifton, Mr Andrews also regards engineering as the acid test. "If we don't produce female engineers from Clifton, we will have failed."

Next: Government reforms and the private sector

FINANCIAL TIMES SURVEY

After 10 years of Thatcherism, the Government enjoys little popularity in Scotland. Prosperity has spread north, but demands for a separate parliament grow. The devolution issue could still lead to a constitutional crisis, says James Buxton, Scottish Correspondent



SCOTLAND

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□ Photograph of Aberdeen by Alan Harper

A political time bomb

WITH A world stage dominated by tumultuous events in central Europe, it is difficult to recall that a calm, gently prospering part of the United Kingdom holds the potential to wreak great changes in British politics over the next few years.

Scotland is that place. Its politics have diverged from those of England. The Conservatives hold only 10 of the 72 Scottish parliamentary seats and stand at only about 20 per cent in the opinion polls against Labour's 50 per cent.

If the Government's policies are fairly unpopular in England and Wales, they are for the most part repudiated in Scotland. Mrs Margaret Thatcher, the Prime Minister, is nothing short of a hated figure north of the border.

None of this is new and one year after the Govan by-election, which briefly propelled into prominence the Scottish National Party and its policy of seeking independence for Scotland in the European Community, the political scene in Scotland is quiet.

But there is deepening realisation that the next general election is likely to be a watershed for Scotland. If the Conservatives won in the UK but did as badly or even worse in Scotland as they did in 1987, it is difficult to imagine that the Scots would tolerate a continuation of rule by a minority party – particularly one that made no concession to the fact that only about 20 per cent of Scots accept the constitutional status quo, with the rest wanting either independence or a separate Scottish parliament.

If Labour won the general election, its promises oblige it to create a Scottish parliament as a priority. That parliament might even be elected by proportional representation. Its creation would in due course have a profound effect on British politics.

It would raise the question of why Scottish MPs should be allowed to vote on domestic issues such as education in England when English MPs could exercise no such power over Scotland. Labour's answer to this question is that it would gradually set up regional assemblies in other parts of Britain. But a future Conservative government might respond to it by reducing the number of Scottish MPs. With 49 of Labour's MPs currently coming from Scotland, that could tip the balance against the party being elected again at Westminster.

At this stage, further detailed speculation is pointless. What is important is that people in England should realise that a gap between their politics and those of Scotland could eventually coma to affect *them*.

It is sometimes difficult to realise it even in Scotland. It is not in political ferment: as a diplomatic ohserver of the Scottish scene recently pointed out, there was almost no-one on the streets outside the Assembly Hall in Edinburgh last March when the Scottish constitutional cenvention inside solemnly affirmed "the sovereign rights of the Scottish people to determine the form of government best suited to their needs."

The only recent comprehensive test of Scottish opinion was in June when the European elections coincided with a by-election at Glasgow Central. The SNP failed to beat Labour in the by-election and won no new European seats in the rest of Scotland. The Tories lost their last two European seats in Scotland to Labour. Otherwise, relentless opinion polling on almost avery conceivable subject shapes political debate.

Nor is the country in economic depression. On the contrary, unemployment has fallen below 9 per cent, the cities are flourishing, the oil supply industry is expanding again and some economists believe that Scotland will outperform the rest of Britain in economic growth over the next two years.

The prosperity of the south of England is continuing to spread its tentacles north: it can be seen in higher living standards, an upgrading of the value of both urban and rural property and in the steady flow of people escaping from the congestion of sonthern England to live in Scotland.

But that flow does not match the tide of Scots emigrating to England in search of greater opportunities, which reached a peak last year. Nor has Scotland yet gained much from the drive of companies relocating out of the South. While some government jobs are heing transferred to Scotland, the British Council last week chose Manchester rather than Glasgow for its new headquarters.

Scots have responded to the enterprise culture hy founding new husinesses and taking responsibility for existing ones through management buyouts, though later and on a smaller scale than their counterparts further sonth. Local government and cultural institutions have usually responded fully, if relnctantly, to the need to involve the private sector in their activities. The gap in the level of home ownarship between Scotland and England narrows steadily as Scots buy their own homes, usually from public sector landlords. In all these ways Scotland is little different from other outlying regions of Britain.

But if Scotland has done well during the 10 years of Mrs Thatcher's rule, precious few Scots appear to recognise it – asked about the past decade in a System Three poll in September, some 69 per cent said it had done "very badly" or "quite badly" during the period. Very few believed that Mrs Thatcher had Scotland's best interests at heart or had done much for it despite her obvious interest and frequent visits to Scotland.

In the early to mid-1980s Scots resented Mrs Thatcher as, along with other outlying parts of Britain, they bore the brunt of recession. Then her insistence on imposing radical naw pollcies on Scotland, regardless of the 1987 election rehuff, aggravated their dislike. These policies, such as for greater parental involvement in education, are seen as having originated in England, while the use of Scotland as testing ground for the regressive community charge or poll tax is intensely unpopular.

It may be that prosperity has given Scots new self-confidence, reminding them of the differences in their values from those of the south of England, where Scots see ruthless pursuit of riches and ready acceptance of destructive corporate takeovers as the normal way of doing business.

More negatively, there have been outbursts of anti-English sentiment, perhaps reflecting anxiety at what some see as the progressive anglicisation both of Scottish institutions and of land ownership.

An assertion of Scotland's difference, combined with the corrosion of the foundations of the union hy the last two and half years of "minority" Conservative rule, may lie behind the revival of notions of independence and of a separate Scottish parliament, with the latter currently favoured in an opinion poll hy 44 per cent against 27 per cent for independence in the EC and 9 per cent for independence ontside Europe. The advocate of independence, the SNP, has seen its standing in the polls fall back to about 20 per cent after reaching more than 30 per cent in the aftermath of Govan.

Despite the fact that if Labour came to power many of Scotland's current grievances would automatically disappear, Labour politicians are deeply committed to a separate parliament, seeing it as an assertion of national identity and an insurance against any return to power of another unsympathetic government in London.

With growing enthusiasm Labour has backed the Scottish Constitutional Convention, an independently convened gathering of national and local politicians, trade nnionists and others which, after its impressive first meeting in March, has been devising a blueprint for a Scottish assembly that would have considerable power over domestic affairs and possibly taxation in Scotland.

Only Labour and the Liberal Democrats are participating, as both the Conservatives and the SNP have boycotted it, and it now rarely makes the headlines. But it will resurface in the new year and could hreak new ground by adopting a form of proportional representation as its electoral system.

The Conservative Party rejects devolution, backed by the business and financial community who fear it will mean higher taxes. The Conservative case against it was succinctly expressed recently by Mr George Younger, the former Defence Secretary, who said in an interview: "What's wrong with it is that it wouldn't work. It would be a recipe for conflict between Scotland and Westminster. And it would mean that we would quite quickly become irrelevant. Everyone would simply say: 'Thank God, the Scots have gone! Fine! Here's your share, get on with it and shut up!'"

The Conservatives are now addressing with more determination the question of improving their organisation and campaigning ability. In the summer Mrs Thatcher made the controversial decision to appoint Mr Michael Forsyth, the strongly Thatcherite Scottish Office minister, as chairman of the party.

Mr Forsyth is a fine organiser who gets things done, but his appointment dismayed those Conservatives who believe the party needs a period of consolidation and redneed stridency in the run-up to the next general election. Mr Malcolm Rifkind, the Scottish Secretary, expressed those very thoughts not long before Mr Forsyth's appointment.

Already, Mr Forsyth has ruffled many feathers. But that may be essential in trying to revive a morihund organisation and stave off an impending constitutional crisis.

KEY FACTS

AREA	77,167 sq miles (32% of UK total)
POPULATION	5.1m (9% of UK total)
Gross Domestic Product	£29.3bn (per capita £5,725)
Sector (%)	Agriculture, forestry & fishing 2.8, energy & water supply 5.6, manufacturing 23.3, construction 7.8, education & haalth 10.9, transport & communication 7.6
Averaga earnings (mala)	£229 (UK average £245)
Averega earnings (female)	£154.50 (UK av. £163.80)
UNEMPLOYMENT	
1988:	293,600 (11.8%); 207,200 (males); 86,400 (females)
1989 (first threa quarters):	242,000 (9.8%);174,000; 67,600
HOUSING	
Stock of new dwellings as percentaga of UK total	9.1%
New dwellings completed as percantaga of UK total	private 7.7%, public 11.1%
% changa in dwellings completed 1981-87	private 25 (UK averega 50); public -57 (UK average -61)
House price averaga (1987)	£29,600 (all UK £40,400)
Pupil/teacher ratio (secondary schools)	13.0 (all UK 21.9)
Pupil/teachar ratio (primary schools)	20.3 (all UK 21.9)

GLASGOW

Inner-city revival

GLASGOW IS one of Britain's most successful and most unlikely post-industrial cities.

Since the final collapse of its old industries of shipbuilding and heavy engineering in the early 1980s, it has been given new life, so the conventional wisdom has it, with a transfusion of service industries.

Glasgow's heyday was in the 19th century when it was known as "the second city of the Empire" and the industrial workshop of the world. But the city has been in decline since 1914, though two wars and the demands made on its industries postponed the collapse.

As in Liverpool, Sheffield and Newcastle, the traditional industrial base – metal manufacturing, shipbuilding, heavy engineering, and locomotive building – either crumbled in the early 1980s, or contracted severely. The city's image of poverty, crime and deprivation was among Britain's worst.

There is still manufacturing industry in Glasgow. The Howden Group specialises in tunnelling and wind power technology and refrigeration compression. The Weir Group produces pumps and valves. Barr and Stroud manufactures thermal imaging and electronic devices. Hoover focuses all its European vacuum cleaner production in Glasgow. Two shipyards employ 7,000 between them: Yarrow specialises in warships and Kvaerner Govan in high-tech liquefied petroleum gas carriers.

There is also a food processing industry – companies include United Biscuits, Guinness and Whitbread – which employs 15,000. The 150 companies in the clothing industry employ 8,000 people.

Outside the city there are still several engineering companies, including Rolls-Royce, John Brown and Babcock Power. There has also been an influx of pharmaceutical, biochemical and high-tech computer companies into what has become known as Silicon Glen.

But in Glasgow proper, there have been few new major investments in manufacturing in the past decade. The number of jobs in the sector declined by nearly 35 per cent in the decade 1978-88. Manufacturing currently employs some 70,000 people in 1,000 companies – approximately 20 per cent of all employment in the city. Unemployment in the early 1980s averaged 26 per cent, although it was even higher in parts of the city.

Offsetting these job losses has been the rise of the service sector. Around 270,000 people out of a population of 750,000 now work in the service industries. The sector accounts for some 80 per cent of all jobs in the city.

Always a centre of administration, media and communications, Glasgow has also become a second-tier financial centre. It has also attracted engineering and technological consultancies, and leading-edge research and development concerns. And it has developed a tourist industry based on arts and leisure, rather than sightseeing. In 1982 there were 700,000 staying visitors; last year there were over 3m.

Retailing has been a growth industry. The Princes Square shopping development was completed in 1987 at a cost of £20m. Earlier this year the St Enoch's shopping, ice rink and car park centre opened its doors for business. Costing £62m to build, it is said to be the largest glass-covered complex in Western Europe.

How has this inner city renaissance come about? First, there has been a remarkable degree of co-operation between the Labour-dominated city council and the private sector. Mr Pat Lally, Glasgow's Labour leader, serves on a committee with Mr Ewen Marwick of the Glasgow CBI, talking of market forces and airport policy.

There is another side to Glasgow which has yet to see the sun

The council was hung for a period in the mid-1970s, following a surge in support for the Scottish National Party. The old cloth-cap socialists who had dominated for 50 years were unseated and, when that SNP tide ebbed, a new kind of Labour Party councillor was elected. University-educated and entrepreneurially-minded, these councillors were in tune with private enterprise in a way that their counterparts in the 1980s were not.

Several joint enterprises, in which the city was aided by the Scottish Development Agency, were begun. The regeneration of Glasgow got under way with the Glasgow Eastern Area Renewal project. This was aimed at reversing the decline in the east of the city which had some of the worst slums in Europe: over a decade the SDA and the city authorities spent more than £500m. The results can be seen in the restored sandstone tenement buildings and the new private sector housing developments like Bridgeton.

A comparatively autonomous and streamlined decision-making process has been behind the "Glasgow Miles Better" campaign, begun in 1983, and one of the most successful image-changing drives ever undertaken by a city.

By the time the garden festival took place last year, attracting 4.25m visitors, Glasgow was no longer seen as a run-down northern industrial city where it was unsafe to venture abroad at night. It had become, instead, a place of culture where the arts flourished.

Following intense competition, Glasgow next year becomes the European "cultural capital." Its year-long festival will cost around £50m and it hopes to mount 2,000 special events during the year, involving 450 organisations, and thus have something happening every day of the year.

Can this really be Glasgow? ask the advertisements. The swish Clydeside restaurants, the bustling centre with its new office blocks and smart shopping precincts, testify to a regeneration, even if a motorway still goes through the city.

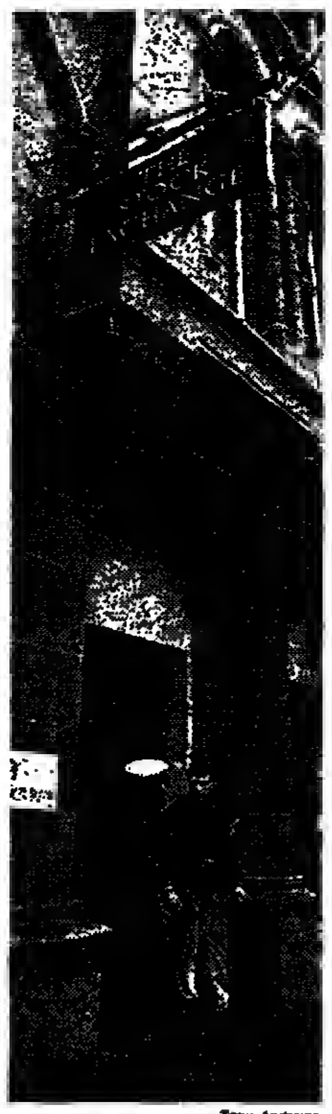
The renaissance, however, is confined to the centre and the smarter suburbs. There is another side to Glasgow which has yet to see the sun.

In the 1950s and 1960s areas of grim and unhealthy tenements, remnants of Victorian and Edwardian days, were demolished and the inhabitants moved out to tower blocks in the suburbs. But these were built without supporting community facilities and the estates of Easterhouse, Castlemilk, Drumchapel and Pollok have become, in turn, some of the worst slums in Europe.

Unemployment in the estates is 40 per cent in places. The New Statesman and Society magazine reported a year ago that more than a quarter of the local population lives at or below the poverty line. This includes 42 per cent of its elderly people, 67 per cent of the registered unemployed and 67 per cent of single parents. The situation has not improved in the past 12 months.

To the public relations types promoting Glasgow, these estates are "peripheral" because they are some way from the city centre. But until the new-found prosperity of Glasgow's centre spreads out to its limbs, it is wrong to describe the renaissance as a complete success story.

Stewart Dalby



Tony Andrews

Glasgow Stock Exchange

THE ECONOMY

New surge of confidence

HOW ONE assesses the Scottish economy is almost a matter of mood. On a good day one sees signs of considerable economic activity and prosperity; on a bad day one is more conscious of unsettling medium-term trends.

By most measurements the Scottish economy is currently doing well. The new confidence of Glasgow and Edinburgh is shown not just in the heavy traffic on their streets but in the large office developments being built or planned for their centres and periphery. Aberdeen has decisively put the 1986-87 oil industry recession behind it. The Highland capital, Inverness, is the fastest-growing city in Scotland in terms of population.

Confounding Scotland's image as a poor country, a survey of household disposable income per head in Britain put two areas – Grampian in the north-east, and Lothian and Borders in the south-east – in the top bracket, on a par with counties in south-east England.

Manufacturing output in the second quarter of this year finally outstripped the previous record of 1973, faster than that of the UK as a whole. One of Scotland's leading export industries, whisky, is enjoying a strong revival with several distilleries reopening after shutting earlier in the decade.

Engineering industries are flourishing and much of the electronics industry is doing well, though textiles are suffering. While fishing is at risk because of declining catches and tightening quota restrictions, agriculture is doing better after several bad years.

In the north-east revived offshore oilfield development from a more economical cost base than before 1986 is creating good business for specialist offshore supply companies and oil platform construction yards. Offshore pipelines are being constructed and British Petroleum recently announced a £560m expansion of its Grangemouth petrochemical complex in central Scotland.

It is a very different economy from that of a decade or so ago. The large heavy industries have mostly gone: there are just two big shipyards on the Clyde and it is significant that British Steel's Ravenscraig complex, now facing a prolonged Christmas shutdown after some years of working flat out, serves very few customers in Scotland. British Coal has only one deep mined pit complex working.

While sleek new plants making electronic equipment, usually owned by foreign companies, continue to spring up in Silicon Glen, employment growth is in services. Financial services, centred on Edinburgh and Glasgow, have increased their share of gross domestic product from 9 per cent to almost 15 per cent in the past decade. The tourist industry is expanding with about £250m worth of projects under way or going ahead and a further £500m under consideration.

The economic boom in the rest of Britain was slow to reach Scotland and growth was negligible in 1986 and only moderate in 1987. But last year the Scottish economy grew faster than at any time since 1973, though expansion was slower than in the UK as a whole.

This year unemployment has been dropping rapidly, to 8.6 per cent on a seasonally adjusted basis in October, though this compares with a UK average of 5.9 per cent. In Aberdeen unemployment is only 3.7 per cent, while Edinburgh has 7 per cent, Inverness 7.4 and Glasgow 12.1 per cent.

The economy has continued to expand strongly this year but this autumn's business opinion surveys have shown a marked drop in confidence about the future as interest rates have soared. However, there are few signs of this yet affecting employment or output (electricity consumption by industrial users is still running strongly) and some economists believe that although there will be a downturn next year, Scotland could perform better than the rest of the UK.

The current strength of the oil supply industry boosts general confidence, the decline of sterling should particularly benefit an export-oriented economy and Scottish consumer spending is less affected by high mortgage rates since fewer Scots own their own homes or have big mortgages.

But just as the British economy is weaker than others in Europe, so that of Scotland is weaker than some other parts of Britain. Recently an economic summit was held in Glasgow to debate a comprehensive, if somewhat turgid, report prepared by academics for the Standing Commission on the Scottish Economy – a grouping of trade unions and local authorities set up to 1986.

The Government and most business leaders were prominent by their absence, but though many of the report's conclusions were disdained, others probably struck a chord. The most obvious was continuing evidence of the North/South divide: for example, between 1983 and 1988 the number of employees in employment fell by 0.1 per cent in Scotland while it rose by 8 per cent in the UK as a whole, with a 10 per cent rise in the south-east and 24 per cent in East Anglia. Scotland performed worse than any other part of the UK, except for Northern Ireland.

The report also highlighted emigration from Scotland, which outpaces natural population growth. In 1988 emigration was 24,700, some 10,000 more than in 1987. The current emigrants are not, for the most part, leaving an economic wasteland: rather the opportunities in southern Britain are more plentiful and more lucrative. The emigrants are young and contain a disproportionate share of graduates.

The decline of sterling should help an export-oriented economy

This drain of soma of the most economically active Scots has been going oo for more than a century. It may be among the causes of discouraging statistics on enterprise in Scotland: between 1980 and 1987 the share of Scottish weekly household income from self-employment fell from 7 to 5.5 per cent. Net VAT registrations from 1980-87 grew by 11.4 per cent against almost 14 per cent for the UK as a whole. Since 1980, only 2.9 per cent of USM flotations have involved Scottish companies.

Scottish business is eroded by the drain of takeovers of indigenous companies. Control of many large companies has left Scotland in the past few years, though Scottish & Newcastle Breweries was reprieved by the Monopolies and Mergers Commission from takeover by Elders IXL this year.

Not all these takeovers have had dire effects: it could be argued that Guinness is a better steward of the whisky industry than Distillers. But, week by week, small to medium-sized Scottish businesses sell out to southern or foreign-based companies, arguably taking away jobs for the service sector and the possibility of building large Scottish-based concerns.

An increasing number of Scots are coming to believe that an industrial policy which favours inward investment by foreign companies creates an employment structure in which enterprise is unlikely to flourish, by creating a disproportionate number of working-class jobs and not enough opportunities for managers and professionals in branch manufacturing plants. That Scotland has recently been winning a smaller share of inward investment projects in Britain could be a blessing in disguise.

The Governmant has rejected traditional regional assistance as the answer to these problems, putting its faith instead in the accelerating drift of people and companies from the crowded south-east of England. But so far only small numbers of them have reached Scotland and the Standing Commission report concluded that it would take more than market forces alone to drive them there.

The advent of the Channel Tunnel, further stimulating the south of England, combined with Scotland's relatively poor transport links with the south, is also working in the wrong direction.

James Buxton

The country's travel links need to be improved

The outside world comes closer

AS THE Channel Tunnel opening in 1993 draws closer, Scotland is increasingly concerned with its relative isolation on the periphery of Europe and the gaps in its air and land communications which exacerbate this.

The major preoccupation is with air travel at the moment because the deadline for submissions on ending Prestwick Airport's monopoly on transatlantic flights from Scotland closed last month. But the Confederation of British Industry in Scotland and the Scottish Trades Union Congress have recently drawn up reports on the road network and what the Channel Tunnel will mean in terms of rail links.

The problem with Prestwick has been that it is in Ayr, 35 miles south-west of Glasgow, and has poor road and rail access. It has been little used for transatlantic flights. Yet there hava been arguments in favour of keeping Prestwick open, not least the job losses that could be involved if it closed. Some 4,500 people are employed there.

The Scottish CBI as well as other business groups and the civic authorities in Glasgow and Edinburgh have advocated an "open skies policy". They feel that Glasgow with 3m passengers at the moment would benefit enormously from the right to take in transatlantic flights, as would Edinburgh. These two airports would be able to build up further business to Europe if they became the first stop for travellers from the US and Canada.

Mr Cecil Parkinson, Transport Secretary, is expected to make a decision on Prestwick early in the New Year.

The prominence which the Prestwick debate has been given has spilled over into other areas of communication. Last month the CBI set out its views on Scotland's roads. This was, in part, a response to the Scottish Office Roads Directorate's consultation document "Routes South of Edinburgh".

The CBI says that the M8 between Edinburgh and Glasgow should be completed as a matter of urgency. At present, there are gaps at each end. The congestion at the Edinburgh end is particularly acute. The CBI paper advocates attention to the Newbridge roundabout outside Edinburgh, and the completion of the city by-pass to divert through traffic from the city centre.

At this point the CBI starts to disagree with the Government. While it welcomes the upgrading of the A74 down to Carlisle to full motorway status to link the M74 with the M6, it rejects the notion that the private sector should build one of the first toll roads in Britain, between the M8 and the M74. As a major strategic link road, that should be built by the Government, it says. Private funds should be used for other projects like estuarial roads in the west of Scotland.

Mr James Young, assistant director of the CBI, takes issue with the Government's contention that the M74 should be the main route south. He says that the "the only serious contender for major route status south of Edinburgh is the A1."

For freight the implications could be more serious

He argues that the routes north of Edinburgh, the A9 to Inverness and the M90 to Perth, can comfortably handle the projected level of traffic. The A1 should be upgraded to motorway status if possible.

The Government's policy on rail links for Scotland, if and when the Channel Tunnel opens in 1993, has also come under attack from the Scottish Trades Union Congress.

A paper drawn up by Mr Douglas Harrison of the Scottish TUC for a special conference, says British Rail has done a lot to prepare for the Channel Tunnel. He says that because British Rail is hamstrung by Treasury requirements that it earn a return of 8 per cent on investment, it has shrunk from making the large investments needed.

This means that while Britain is stuck with patching up a 19th century rail network, France, Spain and Belgium have TGV high speed trains capable of averaging 180 mph. All British Rail has promised so far is electrification of the east coast line so that speeds of 140 mph (in parts) could be reached and the London to Edinburgh journey time could be cut before the tunnel opens.

However, any faster time will not happen on day one of the opening of the Channel Tunnel. All that is in prospect then is one daytime service from Edinburgh (with a possible link to Glasgow) to Paris and Brussels and one or two overnight services. Mr Harrison reckons it will take at least eight hours to get from Edinburgh to the tunnel entrance until the late 1990s.

This may not matter so much for business passengers, since Scotland has already developed a "sleeper culture," although it could affect the tourist trade. And for freight the implications for Scotland could be more serious.

Mr Harrison points out the longer the journey time between two destinations, the greater the relative advantage that rail freight has over other forms of transport. This could be important for Scotland, providing the pricing is right. Thus the expected rail freight journey time through the tunnel from Glasgow to Frankfurt is 32 hours, compared with 74 hours by road via Dover, 58 hours via Hull and 80 hours via current rail services.

Though Scottish exporters could benefit, a closer look at freight terminals is needed, says Mr Harrison. At present, there are no plans for a dedicated freight terminal in Glasgow or Edinburgh, but there are plans for such terminals at Leeds, Doncaster and Manchester. That could result in Scottish exporters trucking down parts or components to major rail heads and losing some value added in the process.

Another problem is that the continental rail system with its standard Berne gauge has different loading gauges to Britain. This means that in continental Europe freight wagons are higher and wider than they are in Britain. British Rail's response to this has been to encourage the use of new wagons with a lower base and smaller wheels. This could result in greater imports in Scotland because of bigger containers from the Continent.

Mr Harrison feels that British Rail should bite the bullet and build a Berne Gauge spine track from the tunnel mouth up to Scotland. Transport 2000, a private lobby group, says that can be done for £210m. BR counters that it would cost 10 times as much. "They will have to do it one day," he says.

Mr Harrison says Scotland could do well out of the Channel Tunnel if the investment is made. One way or another, the country's road, rail and air links could repay more study.

Stewart Dalby

Stewart Dalby considers the impact of environmental issues

Conifer deal saves peatland

ENVIRONMENT questions in Scotland may be no more contentious than elsewhere in Britain, but the scale is different, the issues are more sharply focused and the battle lines are more clearly drawn.

The Highlands and Islands' population of 350,000 is the size of an average British town. But it is rarely a question in Scotland of a small 25 acre wood being of scientific interest, more like tens of thousands of acres of peatland in Caithness and Sutherland being ecologically worth conserving because of the unusual habitat and climatic conditions.

Scotland has almost two-thirds of the coastline of Great Britain (12,000km out of 19,000km). It is renowned for its diversity, rocky cliffs and sandy bays, sea lochs and sheltered estuaries. The warm waters of the Atlantic mean there is a diversity of sea life.

Technological progress has meant that in recent years fish farming, particularly of salmon, has crossed an economic threshold. The industry has grown from an output of 500 tons in 1979 to 13,000 tons in 1987, and hundreds of jobs have been created.

The indigenous population is keen on fish farming because halts depopulation of young people. For similar reasons, it was not against the forestation of the peatlands with conifers. The locals have been generally enthusiastic on tourism, again for the jobs and income.

It is a simplification to see the conservationist battles in terms of the Highlanders and Islanders, whether they be small crofters or large landowners wanting development of resources, ranged against outsiders wanting the habitats maintained for a few birdwatchers and scientists. But there is something in it.

The Nature Conservancy Council, the Government's official conservation body, has powers to declare a site of special scientific interest (SSSI) when it considers an area's flora, fauna or geology to be particularly important. Landowners whose land is designated an SSSI may need the NCC's permission to carry out what it calls "potentially damaging operations." Half the land in Britain designated as SSSIs is in Scotland – about 750,000 hectares.

Curiously, the NCC is often in informal coalition with outsiders who have gone to Scotland to get away from the rat race elsewhere in Britain. Having taken over old cottages or bought crofts as holiday homes, the last thing the "white settlers" as the natives call them, want is tourists swamping the glens, playing radios loudly and leaving lots of litter. What they have in mind by *tourists*, however, is the expert angler or bird watcher who will respect and preserve the environment.

A good example of how battle was joined between the opposing forces was over the planting of conifers in the peatland of Caithness and Sutherland. This industry sprang up to provide pits props, railway sleepers and the like during times of national shortage as in the world wars. The climate has meant that the area is suitable only for conifers.

Until last year, planting such forests could be used as a tax concession, as was done by many TV stars. Since then, the commercial reason for planting the forests has been largely undercut. The forests produce a commercial return of something like 1 per cent over 20 years. Now, therefore, they are largely of interest only to long-term investors, such as pension funds.

Because of the high winds, it is necessary to plant the conifers densely – what has become known as blanket planting. The ecological case against conifers contrasts with that in favour of the tropical rain forest. Tropical wood protects and renews the fragile soil, allowing a rich variety of flora and fauna to flourish; dense plantation of conifers does precisely the opposite.

The NCC initially called for a cessation of planting. The peatland must be maintained because there is increasingly less of it in the world and the rich habitat it supports is of scientific interest. After much haggling with the Forestry Commission, another government body which plants the trees, and various land owners, a deal was struck to plant a further 40,000 hectares of conifers to add to the 60,000 planted already. This will mean some 100,000 hectares out of a peatland area of 400,000 hectares. Jobs would be preserved.

Dr John Francis, the head of the NCC in Scotland says: "This is a balanced answer to the conundrum since it addresses both sides of the issue." He hopes that a similar balanced course can be found for fish farming and readily admits that it is an ideal industry for Scotland. But there are three areas of concern.

First, there is the physical presence of the cages and buoys, *sitting in some of Scotland's most stunning scenery*.

Second, there is the question of pollution of the sea-bed because of the chemical feed and the effluent falling through the cages to the bottom of the sea. This is a particular problem if a farm is sited in a loch that is not completely scoured by tidal currents.

Third, there is the question of fresh water smolts (baby salmon) or fully grown salmon being released into the sea. These breed with wild salmon and over a period weaken the wild strain genetically.

Dr Francis believes that with co-operation from the Crown Estates, the government agency which owns the coastline as well as the seabed, and with a responsible attitude from the farms – many owned by large companies such as Booker McConnell – the problems can be resolved.

Fish farming and forestry are the best-known conservationist battlegrounds, but there are others. The NCC is anxious that ski-ing is not extended in the Cairngorms into the Lurchers Gulley area, as some commercial interests and the Highland Council want. And there is concern that Nirex, the nuclear agency, may pick a Scottish site as a national depository for nuclear waste.

Also, the NCC is concerned that overgrazing by sheep (especially since changes in the EC sheep meat regime have encouraged farmers to put more sheep on the same amount of land) is leading to degradation of the soil.

The NCC would probably have helped its cause if it had been seen to be rather more local. Its announcement about the peatlands was made some time ago from the south of England without, it is said, proper local consultation.

Partly because of criticisms over this, the NCC is now being split up into Scottish, English and Welsh divisions. Dr Francis is not averse to this, so long as the budget is also split fairly. There is plenty, he says, for the NCC to spend it on.

Loch Doilet in the Highland Region

James Buxton looks towards next year's electricity privatisation

Power split by dividing line

SCOTLAND HAS a separate and very different electricity industry from that of England and Wales, as the British public will discover when privatisation goes ahead next year.

Unlike in England and Wales, where generation and distribution are split, Scotland has an integrated electricity supply structure. Two boards, the South of Scotland Electricity Board (SSEB) and the North of Scotland Hydro-Electric Board (NSHEB), each act as vertically integrated companies for their respective regions, divided by a line running between the Clyde and Tay estuaries.

Until earlier this year the two boards operated a joint generating agreement so that the power stations of each organisation were called into service according to a single order of merit, with for example the SSEB's nuclear stations providing base load and the NSHEB's pumped storage plants meeting peaks of demand.

When privatisation loomed, Mr Donald Miller, chairman of the SSEB, argued for the two boards to be privatised under a single holding company that would have broadly preserved the old structure. But the Government decided to float the two boards separately, partly to achieve a degree of competition (if only "by comparison") and partly to add two companies rather than one to the slender Scottish private sector.

It was decided to place the SSEB's three nuclear plants, one Magnox plant and two advanced gas cooled plants, into a separate company, Scottish Nuclear Limited (SNL), of which 74.9 per cent would be owned by the SSEB and 25.1 per cent by the NSHEB. The joint generating agreement, in which the SSEB had effectively called the shots, came to an end in April this year, after which the two companies began to operate separately.

Transfers were made to give each board a better balance of generating capacity, in order that they would share the surplus power to export across the border to England: the NSHEB gave up its Cruachan pumped storage plant and it was arranged that the SSEB would get access to a further 200Mw of the NSHEB's hydro-electric capacity, while the NSHEB gained access to 600Mw of the SSEB's coal-fired capacity.

The SSEB is also to take between half and 70 per cent of the output from the NSHEB's gas-fired power station at Peterhead in north-east Scotland which from 1992 is to burn gas piped directly from BP's Miller field in the North Sea, providing an important source of low cost power. The NSHEB is adding a 230Mw gas turbine power station at Peterhead at a cost of £40m to cover for when the main generating sets are not working.

The result of the split was to set the NSHEB, which is to be known after privatisation as Scottish Hydro-Electric, on a new path of independence: it is already selling power to the SSEB (which will be known as Scottish Power) and the Central Electricity Generating Board.

The NSHEB has acquired an almost completely new management with several figures brought in from outside the industry, including its chief executive for the past year, Mr Roger Young, who came from Low & Bonar, a manufacturing company. It is already trying to market the expertise it gains in building the new plant at Peterhead to companies in England.

The SSEB remains under the chairmanship of Mr Donald Miller, who points out that a management study of his organisation by Coopers & Lybrand gave it a clean bill of health. "We've never quite regarded ourselves as a nationalised industry and have tried to operate as a privatised one for some time," he says. Mr Miller points to innovations the SSEB has made in supplying and billing domestic consumers.

Recently the SSEB inaugurated the Torness AGR plant, within budget and close to schedule. "It has fallen to me to be chairman when we completed a 25-year long-term plan to get an ideal mix of generating capacity," says Mr Miller. But though the SSEB is considered more successful at constructing and running nuclear plants than the CEGB, the wisdom of building Torness at a cost of about £2.5bn against a background of static demand has been challenged.

Mr Miller now says that half its capacity was required to replace older nuclear plant which has been or will be shut down – the Atomic Energy Authority's Chapelcross station and its Dounreay establishment which is to be run down in the 1990s, plus the Hunterston A Magnox plant to close in the next few months.

But the consequence of the expansion led by the SSEB's engineers has been to leave Scotland with surplus capacity of about 4,000Mw, with oil and coal-fired plants either mothballed or operating well below capacity as more than half Scotland's electricity is generated by nuclear stations.

This gives the two Scottish companies the capacity to make large sales of power south of the border and plans are being drawn up to expand the inter-connecting power line between Scotland and England from 850Mw up to an eventual 2,000Mw, produced by both companies. Despite the SSEB's better reputation for running nuclear stations, they too had to be removed from the privatisation when the English AGRs were pulled out as the city refused to swallow the cost of allowing for incalculable decommissioning and reprocessing liabilities.

Mr Miller does not hide his regret at the fact that SNL is no longer to be "in-house" as he calls it and given the predominance of nuclear power in Scotland it could be argued that selling off the two companies without the nuclear plants means a "broken-backed" privatisation.

But in practice it should be simpler. SNL is already separately constituted. By remaining in the public sector Scottish Power and Scottish Hydro-Electric will be spared both the nuclear liabilities and, they hope, the heavy borrowing which financed the building of the plants.

Negotiations with the Government are now going on. The SSEB has also to reach a deal with British Coal on coal supplies to end the long-running and highly acrimonious dispute between the two bodies which is still the subject of court action. The SSEB has fought to make British Coal cut its prices to the power stations in order to make exports south of the border economic.

Thanks to the closure this year of all but one of British Coal's remaining pits in Scotland, and considerable improvements in productivity at the last deep mining complex, Longannet in Fife, British Coal's production costs in Scotland have fallen from 3.28 pence per gigajoule in February 1989 to 2.29p in September. Though those figures still put the Scottish coalfield towards the top end of British Coal's cost range, Mr Miller says that the SSEB would be happy to buy at these costs.

These pricing issues, plus finalising a formal agreement between the two Scottish boards, should be completed relatively soon to allow the Scottish boards to be vested along with their English counterparts at the end of March next year, with their flotation tentatively scheduled for the early autumn, possibly ahead of the English distribution companies. "We want an early date," says Mr Miller. "We don't want to wait till the end of the queue."

NEXT APRIL British Telecom will launch its integrated services digital network (ISDN), which permits the transmission of high quality graphics between computers at high speed. It will start operating in the City of London, the M4 corridor, Manchester, Edinburgh – and in the Highlands of Scotland.

The creation of an ISDN network in the Highlands is one of the more imaginative development projects embarked on in this distant, often neglected part of Britain. It will enable existing businesses to overcome their remoteness from markets, encourage new businesses to move to the Highlands from the costly south of England and make it possible for individuals – such as designers or fund managers – to carry out sophisticated work from home, a process sometimes called tele-commuting.

British Telecom's Highlands & Islands initiative will bring ISDN to 43 larger telephone exchanges in the area by 1992, covering more than 65 per cent of the population. For the entire Highland area, including those places which are not served by the 43 exchanges, access to the public data transmission network will from next April be charged at the cost of a local call.

The entire project will cost £16.25m, of which £4.9m is a grant from the Highlands & Islands Development Board. It

James Buxton on prospects for the Highlands

Humming with activity

is a recognition that the economic future of the Highlands & Islands lies less with large-scale industries and more with localised development and with exploiting the realisation that the Highlands are one of the least spoilt areas of Britain.

What are the more obvious changes which a visitor to the Highlands after a gap of a few years is likely to notice?

He (or she) will find Inverness, the Highland capital, expanding *faster than any* other town in Scotland (admittedly from a small base) with new industry, housing, hotels and property development schemes. If he visits the lochs and inlets of the west coast and the islands be will see that once solitary, barely inhabited places are humming with activity around fish farms breeding salmon, an industry that has sprung up only in the past few years, delighting those who want to see economic development in previously forlorn places, but often *upsetting conservationists.*

More and more, he will hear the English accents of incomers or "white settlers" displacing those of the Highlanders, as people move up from the South, seeking a better lifestyle and often pushing house prices beyond the range of the local inhabitants.

These are all signs of the new prosperity of the Highlands as the boom in southern Britain spreads its tentacles. After a century of relentless decline, the population of the Highlands is increasing – that of the Highlands & Islands Board area has grown by 10,000 to 368,000 in the past decade.

Yet *despite these signs* of growth, the Highlands still present a mixed picture. The tourist industry is doing well, after a summer of almost unprecedented warm weather. New developments are under way, even at the remote area of John O'Groats, whose hotel has been acquired by Mr Peter De Savary, the businessman. A new skiing development opens this month in the Ben Nevis range near Fort William.

The offshore oil industry is once again expanding as development projects go ahead, *which the oil companies now* find economic at prices that would once have been considered far too low. Both the offshore platform yards on the Moray Firth – Highland Fabricators at Nigg and McDermott at Ardersier – have full order books and labour forces of around 2,000, having dropped in the recent past to just a few hundred. All this boosts Inverness and the Moray Firth area.

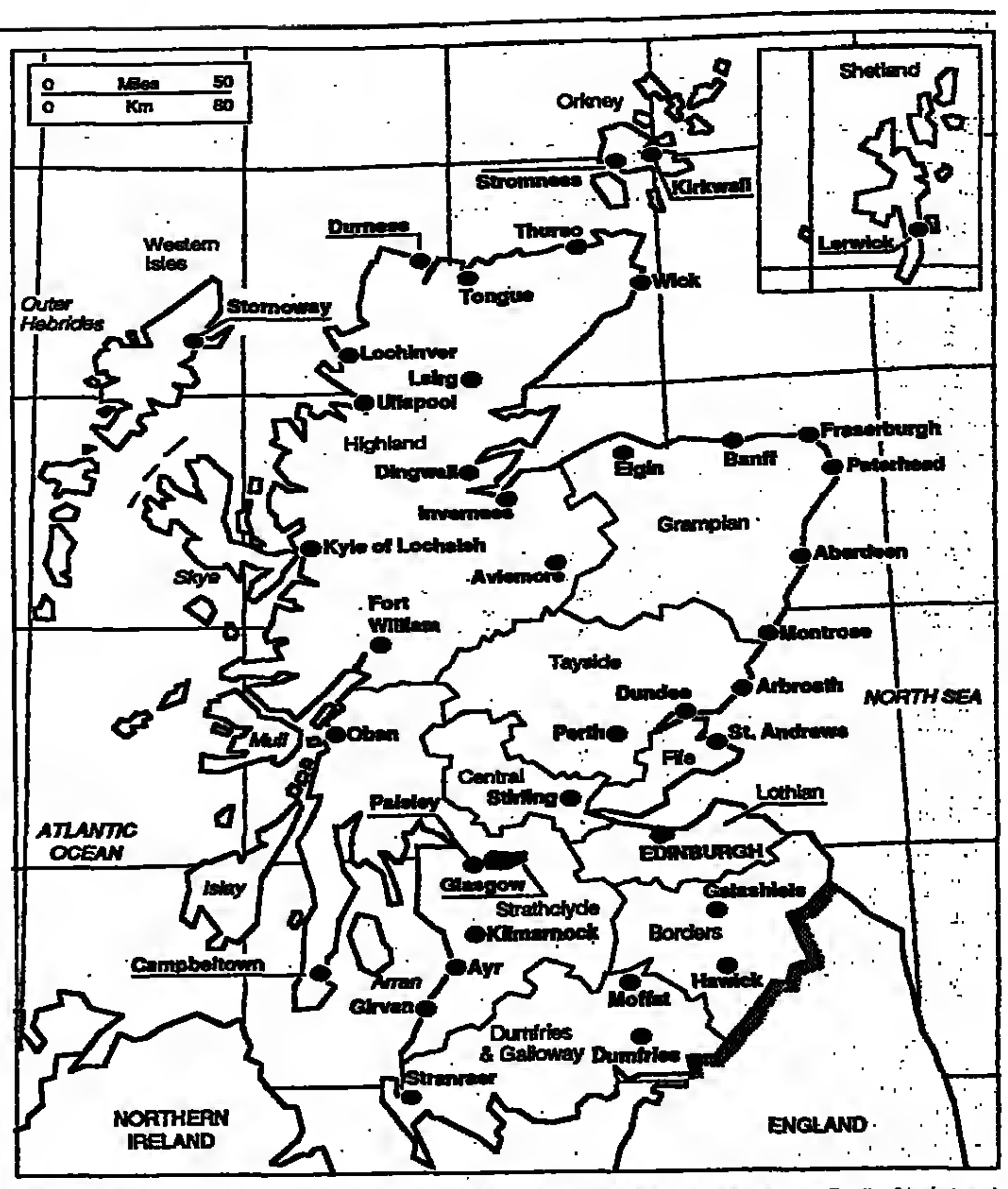
But in other industries the picture is gloomier. Fish farms have created more than 2,500 jobs from nowhere, but many face financial crisis because of a collapse of prices caused by the over-expansion of the much larger Norwegian salmon *farming* industry. Several fish farming businesses have gone bankrupt this year and others are up for sale.

Conventional sea fishing is in difficulties: after several yeare of expanding and modernising their fleet, Scottish fishermen, who produce abont two-thirds of the UK catch, this year faced a sharply rednced quota for haddock which was exhausted by early November and is likely to be further reduced next year. On the land the general weakness *of European agriculture is* aggravated by the difficulties of farming in much of the Highlands, despite rural development programmes. New forestry planting has been hit by the phasing out of tax concessions in the 1988 budget.

No part of the Highlands and Islands has been worse hit by economic difficulties than the Western Isles, the islands of Lewis and Harris. Last December the offshore fabrication yard owned by Heerema, a Dutch group, at Arnish Point near Stornoway, closed with the loss of 40 jobs at a facility which once employed 500. The islands have seen rapid expansion of salmon farming, now in difficulties. And the Harris tweed industry, which gives work to hundreds of crofters as outworkers, has suffered a severe fall in demand in the US, one of its main markets. One of the four mills went into *receivership this autumn and* some believe the industry may be in secular decline.

Caithness, at the far north-east tip of the British mainland, is threatened by the rundown of the Dounreay nnclear research establishment. Mr Cecil Parkinson, when Energy Secretary, announced last year that the fast breeder reactor is to close in 1993-94 and the fuel reprocessing plant in 1997.

So while tourism and the British Telecom project hold out development opportunities *in the more remote parts of* the region, it looks at the moment as if the best prospects for the Highlands are likely to be centred around Inverness and the Moray Firth.



WHEN Strathclyde Regional Council, the country's largest local authority, recently complained about the status it is likely to be accorded under the Government's Scottish Enterprise scheme, it was careful to do so in a polite, positive way.

It is a remarkable achievement of the Government that its Scottish Enterprise policy for the reform of training and enterprise development commands broad approval, though it amounts to the privatisation of the two-thirds of the Scottish Development Agency and there have been serious reservations about the detailed working of the scheme.

The activities in Scotland of the Training Agency and those of the Scottish Development Agency are being merged to create Scottish Enterprise. The new body will have a set of core functions, but many of its activities will be devolved to 12 local enterprise companies (LECs) in lowland Scotland, under the control of boards on which the private sector holds two-thirds of the seats.

The LECs resemble the

New policy wins approval, **James Buxton** finds

Thumbs up for Enterprise

Training and Enterprise Councils (TECs) being set up in England and Wales, but should have greater power because of the functions of the SDA which they will inherit.

In the Highlands and Islands the development board is to be replaced by Highlands and Islands Enterprise which will have eight LECs under it.

While the Government is currently legislating to create the new parent bodies, consortia have been formed in six regions of lowland Scotland to bid to form LECs. The first should start operating next summer. They will take over responsibility for youth and employment training from the Training Agency, a role which will take up at least 80 per cent of their budget. But they will also assume the local functions of the SDA in enterprise development, small-scale urban renewal, property development and business advisory services.

LECs will be able to invest up to £50,000 in business ventures without higher authorisation, and up to £250,000 in property ventures. This should encompass about 80 per cent of the SDA's current activities and will be progressively raised. The LECs will be encouraged to supplement their budget with outside funds but will be tightly controlled, making monthly reports to Scottish Enterprise and agreeing an annual plan.

Scottish Enterprise was the idea of Mr Bill Hughes, when chairman of the CBI in Scotland. He wanted to make economic development more local, wresting it away from established bodies like the SDA and give the private sector a leading role. The idea appealed to the Government which, by giving a leading role to the private sector, might also produce political rewards for the Conservative Party.

The wide support for Scottish Enterprise seems due to several factors: it came from outside government; there is logic in combining training and business development; it is particular to Scotland; and the LECs are local. Business leaders such as Mr Ian Wood, chairman of the Wood Group (Aberdeen), Sir Norman Macfarlane, former chairman of Guinness (Glasgow) and Sir Charles Fraser, vice-chairman of United Biscuits (Lothian) are chairing the consortia.

But trade unionists are also involved (Mr Campbell Christie, general secretary of the Scottish TUC, is a member of the Glasgow consortium) and local government leaders, many of them Labour. Yet the Labour Party is virtually the only organisation that officially disapproves of the scheme.

However, supporters of the SDA fear that it will lose its effectiveness under Scottish Enterprise, while the uncertainty caused by the transition has had a bad effect on morale, despite Government assurances that the SDA will keep its strategic functions such as area development and inward investment promotion, with staff who transfer to LECs getting preferential terms.

But admiration of the SDA is not universal. "Large companies don't have much to do with the SDA but think it's good, small companies don't get much help from it and think it's terrible, and the Scottish public doesn't know much about it but thinks it's wonderful," was the recent pithy conclusion of one of Scotland's many specialists in local economic development.

Sceptics about the SDA's value fear that it will bureaucratise the Scottish Enterprise project and stifle real change. Initial experience, they claim, shows that both the SDA and the Training Agency are more interested in preserving their own positions under Scottish Enterprise than in developing something new, and that staff of the two bodies are deeply suspicious of each other.

Others point to the contradiction between the Government's desire for big businessmen to lead the LECs and the fact that the people in greatest need of help from Scottish Enterprise are smaller businessmen, of whose problems big companies may have little understanding. They doubt whether the private sector will put much money into LECs, despite the Government's stated aim that the private sector should eventually take over all funding of training.

Some fear that restrictions on the autonomy of the LECs will be too limiting: that in the words of Mr Ian Wood, chairman-designate of Grampian Enterprise, "the bureaucrats may not let the private sector genie out of the bottle."

The LECs will be central bodies co-ordinating the development and training effort in their regions, which will mainly be delivered by the "third tier" – consisting of more localised enterprise agencies and enterprise trusts, educational establishments and local government units. The Scottish Enterprise handbook sees the LECs "sub-contracting" services to these bodies but others believe the relationship should be that of equal partnership – a view put by Strathclyde.

Mr Wood believes that if the LECs are "imaginatively and enthusiastically led and supported throughout Scotland, they could be a catalyst to change and success," correcting years of neglect of training and producing a workforce and business structure for the exacting requirements of the 1990s.

He sees Grampian Enterprise as a chance to look at the different development initiatives going on in the region, rationalise them to avoid duplication and ensure that what they provide is better known.

Multinational parents

Lotus and Aston Martin: unbounded enthusiasm

John Griffiths reports on the implications for Jaguar under its new ownership in the light of the experiences of two other British car makers

Now that the last substantive obstacles to Ford's £1.6bn takeover of Jaguar have been swept away with Jaguar's shareholders approving the deal at an extraordinary meeting last week, chairman Sir John Egan and his board face the imminent prospect of reporting to Ford of Europe chairman, Lindsey Halstead.

However, concern has already been expressed about the possible effects on the illustrious car maker of its being owned by a mass-market oriented US multinational. Ford is renowned for stamping a common culture on its activities worldwide. One Jaguar shareholder at Friday's EGM reviled Ford as a maker of "plastic covered tin cans at the junk food end of the market."

Ford has given assurances that Jaguar will remain a separate entity with its existing board largely intact and a self-sustaining capital structure. So is the concern justified? Some possible pointers are provided by the experiences of two other prestigious British car makers, Aston Martin Lagonda and Group Lotus, which have been under the control of Ford and General Motors respectively for the past several years.

Victor Gauntlett, the ebullient chairman, chief executive and one-time half-owner of Aston Martin, and Alan Curtis, chairman of Group Lotus (and also a former part-owner of Aston Martin) accept that their compliments about their parent companies will be regarded sceptically.

Nevertheless, the enthusiasm both show for what has transpired since Ford took a 75 per cent stake in Aston in September 1987, and GM acquired outright ownership of Lotus in early 1986, appears to go well beyond the demands of diplomacy or enlightened self-interest.

Gauntlett, who holds the remaining 25 per cent of AML, equally readily admits: "I thought the relationship in the first year would be difficult, and that I would be trying to keep Ford people out.

"In the event, I had to remind Ford that it had bought 75 per cent and suggest 'how about having a look round?' If I'd bought 75 per cent I wouldn't have been able to keep my mucky hands off it."

Ford's reticence, he suggests, may have been partly due to it not being quite sure what it wanted to do with a luxury car maker which has a prestige even more disproportionate to its size than Jaguar. AML currently makes only 300 cars a year – less than one per cent of Jaguar's output – although each sells for at least £120,000.

Ford has never disclosed what it paid for Aston – estimates range upwards from £10m – and has talked only in generalities about "enhancing" Aston's future as its reason for buying it.

There remains the suspicion that, having been thwarted in its efforts to buy Alfa Romeo and Rover Group, and having watched GM and Chrysler snap up Lotus and Lamborghini respectively, Ford bought Aston – and the somewhat humbler AC Cars – simply to stop someone else.

"Certainly, there was no point in Ford doing a three-year study," says Gauntlett.

In strictly material terms, Ford is transforming Aston Martin's prospects to a degree beyond anything contemplated by previous owners. A succession of individuals have ridden to Aston's financial rescue over the past 20 years, only to join the ranks of disillusioned white knights worn down by a luxury car maker's eternal ability to soak up money.

Gauntlett stresses that, for once, Aston was actually profitable when Ford moved in. But, he concedes, there was little real hope of generating enough funds to secure the long-term future, let alone bring to fruition a favourite project – a much talked-about "cheaper" Aston for the mid-1990s.

So when Ford came along, "a really and truly safe harbour had to be a very valid solution."

Ford has made no announcement of the fact, but the "harbour" includes £70m to fund not just the "cheaper" Aston, which will be priced at around £75,000, but new developments of the Lagonda marque and an additional facility near its Newport Pagnell factory.

Convertible and high-performance versions of the company's just-launched Virage model are in the pipeline, the new plant is due on stream in 1993, and Gauntlett says the cheaper Aston will be launched in 1994.

By 1995 Gauntlett expects to be producing 600-1,000 units a year of the Virage-based range, and to be developing a new Lagonda model to be made in volumes of around 500 a year. "We shall be taking advantage of Lagonda in a way we have failed to do since the late 1930s." He is reluctant to talk numbers in regard to the cheaper Aston Martin, but suggests that, overall, "between 1990 and 2000 I see us going from 300 cars a year to 2,000."

'In the event I had to remind Ford that it had bought 75 per cent'

Such prospects, he indicates, make the loss of independence a price worth paying, not least as far as Aston's current 450 workers are concerned – a head count set to grow rapidly over the next few years.

In any case, true independence in the motor industry now, he suggests, "is damn near a myth. As far as I'm concerned if you can secure a reasonable amount of operating autonomy within an interdependent relationship, then all well and good."

Gauntlett insists that "we've had nothing rammed down our throats. What we have been offered is opportunities, such as access to Ford technology. Most important of all, it's been possible to develop a strategy in the knowledge that it will happen and that it's not pie in the sky.

"I have strong views on where the company should go. As for what Ford expects, I use my intuition because they have not said 'we require this of you' but 'what do you require of us?'."

In contrast to Lotus, Gauntlett is not operating to formal performance criteria. "But a 75 per cent owner has got the right to expect performance."

There are, however, no Ford people to be seen at Newport Pagnell. There is an off-site liaison office, through which contacts in areas such as technology and component sourcing help are conducted. AML's management board also "doesn't have a single Ford guy on it," Gauntlett points out. It does have a three-man supervisory board, though, comprising Gauntlett as chairman, Halstead and Bruce Blythe, Ford Europe's vice-president for business strategy. Both Ford men, says Gauntlett, "are totally non-executive."

Clearly, however, as far as autonomy is concerned it has helped that Aston was having its third profitable year in a row when Ford arrived, "so Ford has not had to shove people into Aston to sort it out."

It seems highly likely that had this happened Gauntlett – an intensively energetic entrepreneur who founded the Pace petrol retailing network – would not have stayed.

"Originally Ford wanted 100 per cent," he recalls. "But it was a condition of the deal that I stayed for a minimum period. I said that in that case I would have to retain a shareholding – I couldn't function as just another manager."

Above: Lotus's Alan Curtis and (tope) the latest Elan. Left: Aston Martin's Victor Gauntlett and £127,000 Virage

GM's purchase of Lotus – negotiated over eight days between Curtis and Robert Eaton, now GM Europe president, from separate suites at the Savoy – has had a no less satisfactory outcome, insists Curtis.

The bedrock of the deal, which led to GM paying £22m for Lotus, was a formal, ten-point charter setting out the framework for GM's ownership.

The charter remains in force and has guided relations between the two companies ever since. "Every single promise GM made, they've kept," says Curtis. That was the case even though "we got it badly wrong on the numbers – needing £58m to implement a five-year investment and expansion plan, not the £35m we told them when they bought us."

The charter's key provisions were: the company to remain Group Lotus; its executives to remain; no interference in management; Lotus to trade as formerly; no "badge engineering" (using the Lotus name on standard GM products); agreed financial support; GM's board representation to be non-executive and confined to two members (Eaton himself and Jack Smith, GM Europe vice president); and an independent chairman (Curtis).

"They have never attempted to intrude," insists Curtis. "They act like a shareholder and we respond to them as shareholder. Lotus simply couldn't be where it is today if it had gone any other way." Curtis says his role is to ensure adequate funding and safeguard Lotus's independence.

But undertakings were required from Curtis, Kimberley and their colleagues, too. Three and six-year performance yardsticks were agreed. Curtis, a keen pilot, says it is his responsibility to put in "a bootful of rudder" if it looks like going off-course. With the new Elan two-seater about to be launched, and other model development going on, the commitment to manufacturing 5,000 cars a year – five times the current level – looks like being fulfilled, together with expansion of Lotus's consultancy engineering business.

'Every single promise General Motors made, they've kept'

Contacts between GM and Lotus are confined to policy meetings of the four most senior men. There are no GM staff to be found at Lotus's Hethel, Norfolk, facilities, either – except for any who might be involved with a specific project, such as the ultra-high performance Lotus Carlton to be launched next year. For this project GM is an engineering consultancy customer like any other of the several dozen car makers Lotus numbers among its clients.

"There's absolutely no way GM could ever know about anything we might be doing for, say, Ford – they wouldn't even have a clue as to whether Ford is a customer."

In any case, stresses Curtis, "I see no reason why they should want to intervene more closely – and if they tried to, half of Lotus would walk out."

Having travelled to the brink of bankruptcy after the death of Lotus's founder Colin Chapman in the early 1980s, the company is having to adjust to a future circumscribed not by finance but by its ambitions and intrinsic capability to achieve them. "GM has not spelt out any financial limits," says Curtis. "If we can come up with a good business plan and good, viable projects ... we will get their support."

However, doing precisely that has already served to concentrate Hethel minds. Like many enthusiastic, engineering-driven concerns, Lotus in the past has tended to find developing finely-detailed financial projections rather less exciting than developing new cars. "Knowing you've got to get it right for your shareholder does tend to focus the mind," says Curtis with a grin.

In that connection, Kimberley and John Sandiford, the finance director, have not been slow in seeking to borrow GM expertise in manufacturing, financial and administrative systems to bring greater discipline to Lotus' own operations – one result being a halving of inventory levels, for example.

Before the GM takeover, says Curtis, "I think we produced more paperwork than we did cars..."

Business courses

Creating a Euro-workforce in the 1990s. January 22-23. London. Fee:£550 + VAT. Enquiries from Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel:01-925 2323.

Making meetings work. May 1-3, Sept 3-5. Hemel Hempstead & Manchester. Fee: £670 + VAT. Enquiries from Synetics, Fernville House, Midland Road, Hemel Hempstead, Herts. Tel:0442-47152. Fax:0442 50419.

Staff recruitment and selection. February 21-22. London. Fee: £396.75 + VAT. Enquiries from The Courses & Conferences Unit, CIPFA, 3 Robert Street, London WC2N 6BH.

Understanding data communications. March 19-20 and June 11-12. London. Fee: £595 + VAT. Enquiries from Julie Barnes, Programmes Manager, The Network Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel:01-871 2546. Fax:01-871 3866.

Effective strategies for managing change. February 13. London. Fee: £339.25 + VAT. Enquiries from The Administrator, IIR, 44 Conduit Street, London W1R 9FB. Tel:01-434 1017. Fax:01-437 3322.

Reinsurance practice. March 26-30. London. Fee:£775 + VAT. Enquiries from Joy Bambrough or Shirley Cole. Insurance & Reinsurance Research Gronp, Bridge House, 181 Queen Victoria Street, London EC4V 4DD. Tel:01-236 2175.

Management course for the newly appointed manager. Feb 5-9. Brussels. Fee: BFr 95.000. Enquiries from Sabine Van Biervliet, Management Centre Europe, Rue Caroly 15, 1040 Brussels, Belgium. Tel (32 2) 5161911.

The new Companies Act 1989 conference. Feb 7. London. Fee: £225 + VAT. Enquiries from Hayley Tuffin, Marketing Executive, Tolley Conferences, Tolley House, 2 Addiscombe Road, Croydon, Surrey CR9 5AF. Tel:01-680 5682. Fax:01-686 3155.

Business presentation skills. March 11-14. Kent. Fee: £875. Contact Robert Middleton, Sundridge Park Management Centre, Plaistow Lane, Bromley, Kent BR1 3TP. Tel:01-460 8585 ext 466.

FT LAW REPORTS

Shipowners win duress claim in English appeal court

DIMSKAL SHIPPING CO SA v INTERNATIONAL TRANSPORT WORKERS FEDERATION

Court of Appeal (Lord Justice Neill, Lord Justice McCowan and Sir Roger Ormrod): December 11 1989

MONEY PAID under duress by the owner of a blacked ship to a trade union can be recovered if paid under an English law contract, and the union is not immune from liability for restitution on the ground that its conduct was lawful in the country where the blacking took place.

The Court of Appeal so held (Lord Justice Neill dissenting) when allowing an appeal by Dimskal Shipping Co SA, owner of the Evia Luck, from Mr Justice Phillips's dismissal of its claim against the International Transport Workers Federation (ITF) for restitution of moneys paid by Dimskal to the ITF under duress.

LORD JUSTICE NEILL in a dissenting judgment, said that the Evia Luck flew the Panamanian flag. ITF was an international federation of trade unions based in London. The Swedish Seamen's Union (SSU) and the Swedish Transport Workers Union (STWU) were affiliated members.

Since the 1920s the ITF had pursued a campaign against vessels flying flags of convenience. The STWU and the SSU supported the campaign.

Prior to March 1 1983, Evia Luck was manned by 10 Greek natinnals and 20 Filipino nationals. The present appeal was concerned with the 20 Filipino nationals.

On February 28 1983, Evia Luck berthed at Uddevalla in Sweden and commenced loading. STWU and SSU officials boarded the vessel pursuant to the flags of convenience campaign. They threatened that if demands for ITF employment contracts for the crew and back-pay at ITF rates were not met, the vessel would be blacked.

As a result of those threats Dimskal agreed to pay the sums demanded. It paid $111,743 to the ITF, representing back-dated wages, ITF entrance fees, membership fees and welfare fund contributions.

Evia Luck was able to sail from Uddevalla. Dimskal forwarded new contracts of employment for the Filipino crew to its agents for registration.

Before Mr Justice Phillips, Dimskal claimed restitution of the $111,743 on the ground that the payments were induced under duress and made under contracts avoided for duress; and damages for the tort of intimidation and interference with contractual rights.

The parties agreed that the contract for payment was governed by English law. On the evidence, the judge found that under the domestic law of Sweden, where the alleged duress took place, the industrial action was lawful.

As a general rule, a tort done in a foreign conntry was actionable in England only if actionable according to the law of the foreign country where it was done (see *Dicey & Morris rule 205 11th ed*). The jndge therefore held that the claim for damages in tort must fail. There was no appeal against that part of his judgment.

The judge referred to the development in English law of the concept of economic duress and to the House of Lords decision in *Universe Tankships v ITF [1983]1 AC 366*. He also referred to the fact that the statutory immunity conferred on certain industrial action by the Trade Union and Labour Relations Act 1974 only applied to activities within the jurisdiction (see section 29(3)).

He said that when considering the legitimacy of industrial action taken in a foreign jurisdiction in the context of a restitution claim, the court had three choices:

1. Whether the action was legitimate according to English law without reference to the industrial relations statutes;
2. Whether it would have been legitimate if it had taken place in England under the regime of those statutes; and
3. Whether it was legitimate according to the law of the country where it took place.

He said the first option was unrealistic, the second ludicrous, but that the third recommended itself because *inter alia* it was consonant with the English law approach to liability in tort when the conduct was not actionable in the country where it took place.

The judge held that the legitimacy of the ITF'e conduct fell to be determined according to Swedish law.

On the present appeal, Dimskal argued as the contract was governed by English law, it was necessary to apply the English concept of duress.

The ITF argued that the judge was right to assess the lawfulness of activities in Sweden by reference to the law where they took place.

In *Universe Tankships* the blacking and duress took place in the UK.

Lord Diplock considered how far economic duress could be extended into the field of industrial relations. In the case of acts done in the UK, he placed the frontier at the point where such acts would no longer be immune from an action for damages for tort.

A similar approach should be adopted for determining in the field of industrial relations whether economic pressure applied abroad was or was not legitimate.

On that basis one looked first to see whether an action lay in tort. If an action in tort did not lie, it was not permissible to "waive" the tort and bring an action based on economic duress.

As a matter of general principle, economic pressure applied in furtherance of a trade dispute was not to be treated as illegitimate unless also actionable in tort.

In this particular branch of the law the concept of economic dnress mnst take account of the local law of the place where the activities in question occurred.

His Lordship would have dismissed the appeal.

LORD JUSTICE McCOWAN, in a majority judgment, said that Mr Justice Phillips rejected the option of considering whether industrial action abroad was legitimate according to English law without reference to English industrial relations statutes, because to do so would be unrealistic. He said: "To determine liability according to such a test would produce uncertainty and the risk of injustice."

The ITF chose to make the contract subject to English law. Having so chosen, it must be taken to have opted for English domestic law. As was said in *Dicey & Morris page 1164* "Renvoi has no place in the law of contract . . . In the absence of strong evidence to the contrary, the parties must be deemed to have intended to refer to the domestic rules and not to the conflict rules of their chosen law."

There was nothing "uncertain" about that. On the contrary, it meant that the same consequences would flow wherever the condnct occurred. There was nothing inappropriate about it unless and until Parliament otherwise provided.

If that was plain, there was no reason why it should cause injustice. If a party chose to make an English contract, he should expect to be judged by English standards, not the standards of the place where he heppened to be at any particular time.

The appeal was allowed.

SIR ROGER ORMROD, agreeing, said that the line to be drawn between "legitimate" and "illegitimate" pressure was a matter of public policy to be determined by the court with such assistance as might be obtained from indications of Parliament's views on policy.

In the field of industrial relations, legislation was an important indication of Parliament'e policy which the courts should reflect in deciding whether pressure was legitimate or illegitimate.

The question in the present case was whether the court, as a matter of public policy, ought to regard the blacking as legitimate because it was permitted by Swedish law.

Could the court reasonably decide that blacking was contrary to public policy if it took place in England, but not if it took place in Sweden? The answer must be in the negative.

For the ITF: Michael Burton QC and Paul Lowenstein (Denton Hall Burgin Warrens)
For Dimskal: Ian Glick QC (Holman Fenwick & Willan)

Rachel Davies
Barrister

JAMAICA

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FINANCIAL TIMES

TECHNOLOGY

Clive Cookson reports on improved compression techniques that promise better video performance

Squeeze the picture, soak up the quality

New ways for "compressing" video signals into a narrow bandwidth will make an important contribution to many business and consumer technologies during the 1990s, from videophones and high-speed fax to long-playing videodiscs and high-definition television.

Compression technology uses a variety of complex mathematical operations (algorithms) to squeeze redundant or surplus information out of the signals, so that they can be transmitted or stored in the smallest possible space without an unacceptable loss of picture quality. Although mathematicians have had ideas of this sort for decades, engineers have only recently been able to design practical equipment with the electronic circuitry capable of processing video data at the speed required (hundreds of millions of bits per second).

The first widespread application of video compression is in business videoconferencing – holding meetings between people in separate locations linked by television. A standard TV system with a transmission rate of about 100 megabits per second (Mb/s) takes up far too much network capacity to be used routinely for videoconferencing, and all systems in use today have a "codec" (coder and decoder) that reduces the rate to 2 Mb/s or less.

Large companies began to install videoconference facilities about five years ago and there are now about 2,000 corporate studios worldwide. But the technology has been held back by high installation and operating costs (a US user can expect to spend $100,000 on equipment to set up a studio and $400 per hour for coast-to-coast transmission – and prices in Europe are even higher) and by the lack of a world standard that would allow different proprietary systems to communicate.

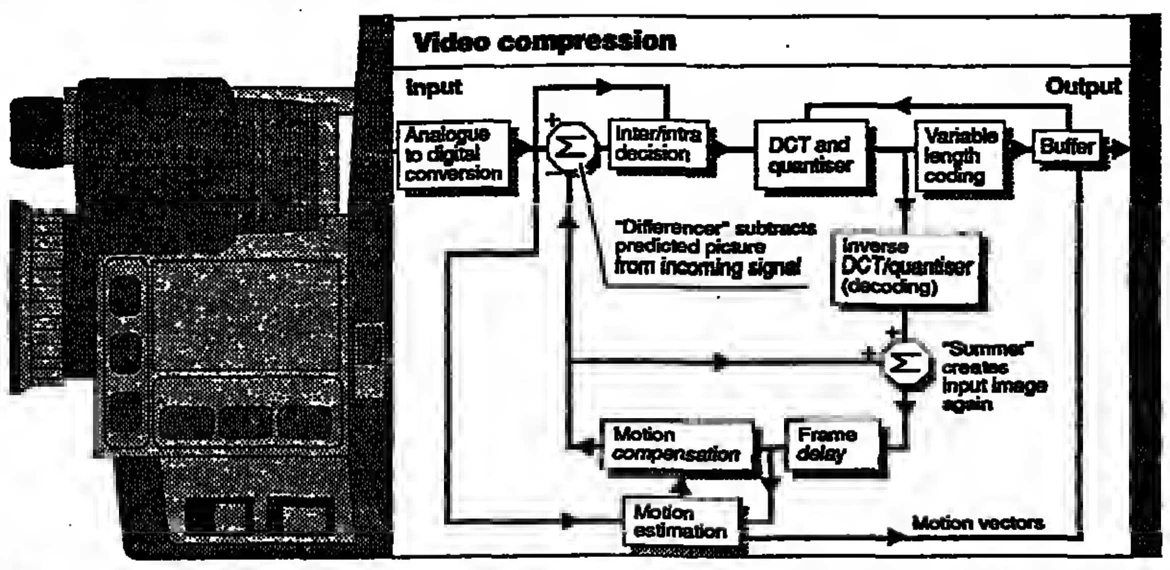
The outlook will be transformed next year when a new international videoconferencing standard from the Consultative Committee on International Telephony and Telegraphy (CCITT) takes effect. All manufacturers promise to adopt this standard, known as H.261, so anyone buying equipment after 1990 will be able to hold a videoconference with anyone else on the international digital telecommunications network.

Although H.261 will not take effect formally until next June, all the significant technical details were agreed last month. British Telecom and GPT, which work together to develop and manufacture videoconferencing systems in the UK, plan to have the first codecs that meet the international standard on the market in March. And they promise a five-fold improvement in picture quality as a result of the new compression techniques used. No longer will participants in a lively videoconference dematerialise if they jump up and down.

Roger Turkington, BT's videoconference business manager, says that the new equipment will give better pictures at 384 Kb/s than the current products deliver at 2 Mb/s – and at 2 Mb/s the transmission will be "close to broadcast television standards." The international standard provides for transmission rates down to 64 Kb/s, the same rate as a digital voice line; this is too slow to carry a full-scale videoconference, even with the best available compression techniques, but it is suitable for a personal videophone.

Standardisation efforts are also under way for other applications of video compression. The most significant is being carried out by the International Standards Organisation's Motion Picture Expert Group. MPEG, as it is known, is defining a standard for delivering compressed video to and from digital storage media such as compact discs (CDs) and computer discs. This will be vital for the commercial success of "multimedia computing" in which any combination of video, graphics, sound and text can be manipulated on a single screen. Without compression, a CD can hold only three minutes of full-motion digital video.

The two most prominent multimedia systems, CD-I from Philips and DVI from Intel, use wholly incompatible compression techniques, although both companies are playing an active role in the standard-making process. MPEG has received 17 separate algorithm proposals from companies in Europe, Japan and the US, and the process is so complex that few participants expect a standard to emerge before 1991.



MPEG will try to make its standard compatible with H.261 so that videoconference and videophone transmissions can be recorded on computer discs. But it will go further than H.261 and address issues such as access to coded information on the disc. And the MPEG standard will have to be flexible enough to handle a much wider range of video input; a feature film such as Lawrence of Arabia contains far more movement and detail – and therefore more data to compress – than even the most animated business conference.

Compression inevitably involves some loss of video quality, and the amount of loss that is acceptable will vary from one application to another. For routine videoconferencing and personal videophone, lower resolution pictures and blurring of rapid movements are prices worth paying to squeeze the signals down an ordinary digital phone line. But for an entertainment system such as high-definition television the picture degradation must be imperceptible to the viewer.

"It is extremely important to make any compression system degrade gradually under adverse circumstances," says Simon Turner of Philips UK Research Laboratory. "Normal analogue television naturally goes wrong gradually, but with digital techniques there is a danger that parts of the picture will start jumping around if the algorithm is not carefully optimised."

As the simplified diagram of a general purpose video compression system (above) shows, it is a multi-stage process requiring complex electronic circuitry. The first step is to convert the incoming signals from analogue to digital form – from continuous waves to a stream of computer bits (0s and 1s).

Efficient video compression requires both intra-frame coding, to reduce the data content within a single picture frame, and inter-frame coding, to squeeze out surplus data from one frame to the next.

The latter technique is easier to understand conceptually. In a film running at 30 frames per second the picture in any frame will be very similar to the previous one, unless there is a complete change of scene. The trick of inter-frame compression is to transmit only the difference between one frame and the next. (In the simplest case, a videoconference studio with a fixed camera, the background scene will not change and need only be sent once.)

When there is consistent movement from one frame to the next, as a result of the camera panning or zooming and/or people or objects moving, a powerful technique called motion compensation comes in play. If the system detects that a particular block of pixels (picture elements) is moving, it will predict its position in the next frame and send an instruction to shift the block appropriately, so that all the pixels do not need to be re-transmitted 30 times a second.

The algorithms used to compress data within a single picture are hard to grasp without a degree in mathematics. They rely on transforming the pixels into a series of patterns and only transmitting the patterns that make an important contribution to the picture.

The most widely used algorithm of this sort, which is included in the H.261 videoconferencing standard, is called Discrete Cosine Transform. DCT divides the picture into 8x8 pixel areas and transforms these from the familiar "spatial domain", in which each pixel is defined by its position in the picture and its colour and brightness, to a "frequency domain". This is a mathematical construct in which the image is coded as a series of 64 numbers, each indicating how much of a particular frequency (pattern) is present.

A "quantiser" in the compression circuit then reads the DCT numbers and rejects the ones falling below specified energy thresholds, which do not contribute significantly to the image quality. Only the important patterns are transmitted for each part of the picture.

This year Inmos, the UK microprocessor company, launched the first specialised DCT chip. The Inmos A121 can carry out 320m multiplications per second – enough for the most demanding video applications. Inmos has sold 1,500 chips, mostly in small batches to telecommunications and electronics companies developing picture compression systems. Some have gone to Japanese manufacturers for incorporation in new generations of high-speed high-quality fax machines and colour printers.

Nick Birch, Inmos marketing engineer, expects A121 sales to increase rapidly next year as companies begin to incorporate the chip in their products "and by the mid 1990s chips of this sort are likely to be used in enormous quantities."

Other specialised video compression chips are also becoming available. SGS-Thomson, Inmos's Italian-French parent company, expects to have a motion compensation chip on the market next year.

"The availability of specialised large-scale integrated circuits (chips) very much simplifies the design and production of image processing systems, because you can replace several boards with one component," says Tim Duffy, GPT data systems director. "As a result we're looking for large chunks of business in markets such as video surveillance that were not even there a year ago."

Arthur Kaiman, DVI engineering director for Intel, points out that special chips will enable his company to make its proprietary compression techniques compatible with whatever interactive video standards eventually emerge from MPEG. "With silicon it'll be easy to be upward compatible," he says. "We'll be able to put what we do today on one corner of a chip."

Looking slightly further ahead, one of the most explosive applications of video compression is likely to be in television broadcasting. "Streams of programmes will become available from a satellite transponder now carrying only one," says Michael Gassman, director of the UK-based Computer Broadcasting Company.

And high-definition television will be prohibitively expensive to transmit unless the 1,000 Mb/s of raw digital HDTV can be compressed at least ten-fold.

Some pioneering work on HDTV compression is being carried out by Compression Labs Inc (CLI) of San Jose, California – the leading US videoconferencing manufacturer. Working on contract for the Tokyo Electric Power Company of Japan, CLI this year produced a prototype codec which gives "extremely crisp detail" transmitting HDTV pictures at speeds as low as 6 Mb/s, according to John Walsh, the company's executive vice-president.

The system is not suitable for live broadcasts because it only operates at five frames per second and therefore all movements are jerky, but it suggests that real HDTV could be transmitted satisfactorily at 45 Mb/s – half the rate of ordinary television today.

Locust swarms to space control

A HIGH-TECH agricultural alert system may save millions of lives by enabling regional authorities to prepare for agricultural catastrophies before they occur. A satellite system developed by the Department of Meteorology at the University of Reading lies at the heart of the technology.

Africa has experienced a series of environmental disasters in recent years such as locust plagues, crop failures and drought. Huge populations have suffered famine and disease as a result.

The traditional response has been to ship vast quantities of food and medicines to the stricken areas and hope for the best. While this effort is undoubtedly well-intended it may not be the best way of addressing the problem.

The system, called Africa Real-Time Environmantal Monitoring Using Imaging Satellites, is being launched by the United Nations Food and Agriculture Organisation (FAO) in Rome with financial and scientific assistance from Britain's Overseas Development Administration. Other EC countries and the US are also involved.

Its establishment has been encouraged by the worst locust plague on record in Africa. An estimated £15bn of crops and farmland resources in 55 countries are vulnerable to locusts. The FAO describes the current wave of locust infestations as "a substantial plague" with land areas requiring urgent treatment "exceeding those during the last major emergency in the 1950s and early 1960s." There has been a significant upsurge of desert locust activity in Pakistan and India.

Earlier, the World Bank announced a £30m loan to finance locust control in Algeria. It has also warned that "the plague could reach Europe or even South Asia if it is not controlled in North Africa."

Using infra-red images obtained from space, the system will identify immediately the areas where rain is most likely to have fallen and will estimate the quantities involved.

The routine measurement of rainfall from satellite observation of clouds represents a breakthrough in pest control. It will enable locust control teams to seek out breeding areas more reliably and sooner than at present when they must wait to see where vegetation appears in the desert.

Other applications of the system include drought early warning, storm forecasts and better management of water resources in desert areas. It will be incorporated in the FAO's global space monitoring network which is intended to save millions of lives by enabling public health authorities to prepare for major food shortages before they occur.

Remote sensing offers a solution to a range of environmental problems facing the developing regions. Current remote sensing programmes include drought monitoring in the African Sahel zone, national analyses of changes in land use and their ecological consequences and studies to counter the effects of pollution from acid rain.

The project will enhance the FAO's Global Information and Early Warning System for Food and Agriculture, a service based in Rome and responsible for alerting governments to emerging food shortages.

The satellites record cloud temperature fluctuations at hourly intervals over Africa and report on the state of vegetation every 10 days. These readings will be combined to allow continuous monitoring of rainfall and vegetation across the continent.

In the longer term, the information gathered by satellites for will be used for agricultural planning.

Thomas Land

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
15	16	17	18	19	20	21

EXHIBITIONS

London

The Hayward Gallery. The Other Story – an *intriguing* but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the western European tradition – weak in its socio-political and historical analysis but often strong in the individual work. Daily until February 4, except bank holidays.

Whitechapel Gallery. Michael Craig-Martin – a *retrospective* of the sculptures, reliefs and wall-drawings of one of Britain's leading conceptual artists, unfailingly elegant in the demonstration, though the informing ideas are more often of obvious and banal than profound. Daily until January 7 except Mondays and Bank Holidays.

The Barbican. A Golden Age – Art and Society in Hugary 1896-1914: in the light of the current ferment in Eastern Europe, with Hungary very much in the van, it is salutary to be reminded just how active a participant she was in the European cultural commonwealth. In the great age of art nouveau, Hungarian applied art and design was second to none. Daily until January *14 except December 24 and 25*.

National Portrait Gallery. Tom Phillips – The Portrait Works: a thorough, self-explanatory, painstaking survey of the work of our most painstaking artist, always interesting and sometimes lively. Daily until January 21 except bank holidays.

Camera Portraits from the Collection 1839-1989 – a necessarily brisk but delightful and intriguing survey-cum-celebration.until January 21.

National Portrait Gallery. Lewis Morley – Photographer of the Sixties: a study of the work a photographer now all but forgotten yet author of some of the most memorable images of the period, with Christine Keeler naked astride her chair the most famous of them all. Until Jan 7.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist *flat* planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42603214), closed Tue. Ends Dec 31.

Grand Palais. Archaeology in France. The exhibition presents 30 years of discoveries with some 3,000 objects, beginning with the inevitable skulls and flint tools and ending with finds from the Louvre foundations. A reindeer *skeleton*, numerous models of villages and tumuli, a life-size palisade topped with shields and spears, video programmes and explanations of scientific methods, all combine to bring thisaustere sounding discipline to life. Closed Tue. Late closing night Wed. Ends Dec 31 (42895410).

Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewelsdating from Greek antiquity describe most explicitly the vervewith which the god of lova encouraged humans and gods alikein their uninhibited pursuit of pleasure. Closed Tue, ends *Feb 5 (42895410)*.

Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how – having freed themselves from Venetian influence – the glassmakers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period thet the renown of *Bohemian crystal* conquered countries as far apart as Spain and America, Egypt and Ireland. 107, rue de Rivoli (42603214). Closed Tue, ends Jan 28.

Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) orThe Invention of Abstraction. The subtitle of the vast restro-spective sums up the progress of the Czech-born artist fromVienna-inspired symbolism to non-figurative canvases whereglorious colours acquire a life of their own. 11 Avenue President Wilson, *closed Mon, ends Feb 25* (47236127).

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century.234 exhibits, miniatures and manuscripts, textiles and ceramics show the unifying force of this inspiration which ranges from the decorative to the symbolic. Yet the traditional style of each of the Islamic countries adds a specific colour to nature's interpretation. Closed *Tue, ends Jan 15 (40205317)*.

Photography. To mark the 150 years since the birth of photography the Centre Pompidou speaks of the invention of an Art, the Musée d'Orsay stresses its modernity (Quai Anatole France), Archives Nationales recount the genesis of this invention (60, rue des Francs-Bourgeois), Musée Carnavalet shows Paris daguerreotypes (31, rue des Francs-Bourgeois), while the Centre National de la Photographie uses chronology to teach its history (Palais de Tokyo, 16 ave Président Wilson).

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs deting from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40513838).

The Louvre and the Chateau de Versailles. *David.* A retrospective consisting of 64 paintings and 165 drawings is held simultaneously in the Louvre and in the Chateau de Versailles. It retraces the artistic development of the founder of neo-classicism who, cutting free from rococo's frivolities, preaches the Roman republic's rigorous virtues in The Oath of the Horatii and in *The Lictors returning to Brutus* the bodies of his sons. A radical revolutionary and friend of Robespierre, he immortalises the assassination of Marat inhis bath, while organising the Revolutions self-glorifying festivities. With the advent of Napoleon he becomes the Emperor's premier *peintre* and celebrates him in a romantic equestrian portrait crossing the Alps and in the vast Coronation, the replica of which, together with the unfinished Tennis Court Oath and the Presentation of the Eagles to the Imperial Army is in Versailles. Louvre closed Tue, Chateau de Versailles closed Mon, both exhibitions end Feb 12.

Brussels

Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

Goethe Institute, Palais des Beaux-Arts. Karsh, a Birthday Celebration. A selection of his photographic portraits. Ludwig Wittgenstein and 20th century art, a show that reveals his influence on European artists. Closed Monday.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.

Frankfurt

Kunstverein, Markt 44. The Frankfurt Kunstverein is thefirst stop on a European tour of the works by the American sculptor Louise Bourgois. After nearly 20 years unknown, she had her first retrospective in New York in 1983, organised by the Museum of Modern Art. The museum's director Mr Walermair has organised the biggest retrospective to date with 120 sculptures and some early paintings by LouiseBourgois, now aged 77. Ends Jan 28.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). this museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werefekin can be viewed until Feb 11.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160pieces from New York. They can be seen only in Cologne until Feb 11. The retrospective includes works from the 1940s and 1950s as well as his famous portraits of Elvis Presley, Marilyn Monroe, Warren Beatty.

Munich

Städtische Galerie im Lehnbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and *Heckel exhibitions, this is the* third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.

Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of *Velazquez*, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

National Academy of Design. More than 160 objects from the Fitzwilliam Museum in Cambridge are making their way round America, giving a sampling of objects and paintings, among them works by Titian, Peter Paul Rubens and Renoir, under the theme of the increase of learning and other great objects. Ends Jan 28.

Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes *of Italy in its secular glory.* Ends Jan 21.

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Centre for International Contemporary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world opens appropriately with a retrospective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Tokyo

Teien Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-naif, but in his last decade his palette was liberated and he produced a remarkable series of grotesque images of clowns and carnivals.

Tokyo Art Gallery, Nihonbashi. The Tale of Genji. Dazing reinterpretation by a young painter, Eido Masko, of one of the great works of Japanese classical literature, depicted in countless scrolls and prints over the past 500 years.

Bunkamura, The Museum. Major works from the Detroit Art Museum, El Greco, Goya, Rubens, Manet, Degas, Cezanne, Matisse, Picasso etc., more than 100 paintings from one of the largest public collections in the US. Closed Mondays.

MUSIC

London

Royal Philharmonic Orchestra conducted by Arthur Davison, with soloists. Christmas music (Sun, Mon). Barbican Hall (638 8891).

City of London Sinfonia conducted by Richard Hickox. Handel's *Messiah* (Tues). Barbican Hall (638 8891).

London Symphony Orchestra conducted by Richard Hickox, with the Swingle Singers. Christmas music (Wed). Barbican Hall (638 8891).

Paris

Ensemble Intercontemporain conducted by Pierre Boulez, with Maurizio Pollini (piano), Frederic Stochl (bass). Dutilleux, Berio, Boulez (Mon). Chatelet (40282840).

Bolshoi Opera Orchestra and Choir conducted by Alexandre Lazarev. Prokofiev, Rachmaninov (Mon). Salle Pleyel (45638873).

Bolshoi Opera Orchestra and Choir conducted by Alexandre Lazarev. Prokofiev, Tchaikovsky, Borodin (Tue). Salle Pleyel (45638873).

Orchestre de Paris conducted by Alain Lombard, with Bruno-Leonardo Gelber (piano). Barber, Beethoven (Wed, Thur). Salle Pleyel (45630796).

Amsterdam

Royal Concertgebouw Orchestra conducted by Charles Dutoit. Berlioz, Saint-Saens, Holst (Sun). Concertgebouw.

Jessye Norman (soprano) with Alain Marion (flute) and Charles Spencer (piano). Handel, Strauss, Mahler, Ravel, Falla (Mon). Concertgebouw.

Netherlands Philharmonic Orchestra conducted by Thijs Kramer. Handel's *Messiah* (Thur). Concertgebouw.

Vienna

Mozart Festival. Austrian State Television and Radio Orchestra conducted by Theodor Guschlbauer. Mozart. Konzerthaus (Fri).

Wiener Philharmoniker conducted by Christoph von Dohnanyi. Lutoslawski, Richard Strauss, Berlioz. Musikverein (Sat, Sun).

Oleg Maisenberg piano recital. Scriabin. Konzerthaus (Mon).

Wiener Symphoniker Berlioz's *L'enfance du Christ*, conducted by Rafael Fruhbeck de Burgos. Musikverein (Wed, Thur).

Madrid

Spanish National Orchestra conducted by Miguel Angel Gomez Martinez, with Silvia Marcovici (violin). Sibelius, Tchaikovsky (Fri, Sat, Sun). Auditorio Nacional de Musica (337 01 00).

Alicia de Larrocha (piano). Schubert, Espla, Albeniz, Falla (Sat). Auditorio Nacional de Musica (337 01 00).

Daniel Barenboim (piano). Bach (Sun), Beethoven (Tue). Auditorio Nacional de Musica (337 01 00).

Spanish National Orchestra and Choir conducted by Jurgen Jurgens. Handel (Wed, Thur). Auditorio Nacional de Musica(337 01 00).

Trio de Madrid with Joaquin Soriano (piano), Carlo Bergonzi (tenor). Rachmaninov, Haydn, Mozart, Schubert (Thur). Auditorio Nacional de Musica (337 01 00).

Milan

SCM Symphony Orchestra conducted by Pierangelo Gelmini. Mendelssohn, Tchaikovsky (Wed). Conservatorio G. Verdi (76001755).

Rome

Uto Ughi (violin) playing sonatas by Schumann,Franck and Prokofiev with pianist Marta Argerich (Wed). Teatro Olimpico (393304).

Cologne

WDR Radio Orchestra and Doris Soffel (mezzo-soprano) conducted by Wolf-Dieter Hauschild. Mozart, Karl Amadeus Hartmann and Richard Strauss (Fri). Philharmonie.

Bamberg Symphonic Orchestra and Lucia Popp, conducted by Horst Stein. Sibelius, Strauss (Wed). Philharmonie.

Ludwig Güttler (trumpet) and the Dresden Brass Group play Christmas songs from the 16th-18th century (Thur).

Berlin

Berlin Philharmonic Orchestra under Claudio Abbado. Mahler (Sat, Sun). Philharmonie.

Berlin Philharmonic Orchestra and pianist Joaquin Achucarro conducted by Yehudi Menuhin. Corelli, Mozart (Thur).

Brussels

Belgian National Orchestra conducted by Ronald Zollman with Hanh Claessens (bass-baritone). Brahms, Mahler and Sibelius (Fri, Sun). Palais des Beaux-Arts.

Brussels Choral Society and the Brussels Festival Orchestra conducted by Tom Cunningham with soloists performing Handel's *Messiah* (Sun). Palais des Beaux-Arts.

New York

New York Philharmonic. Zubin Mehta conducting with Garry Mulligan and the Mulligan Quartet. Beethoven, Mulligan (Tue); Zubin Mehta conducting with Pro Arte Chorale directed by Bart Folse and New York Choral Artists directed by Joseph Flummerfelt. Schumann, Beethoven (Thur). Avery Fisher Hall (874 5770).

James Galway flute recital with Carter Brey (cello) and Phillip Moll (piano). Mozart, Fauré, Debussy (Mon). Carnegie Hall (247 7800).

Washington

National Symphony conducted by Nicholas McGegan. Handel (Mon). Kennedy Center Concert Hall (467 4600).

Tokyo

Shinsei Nihon Symphony Orchestra, conducted by Dieter-Gerhardt Worm. Beethoven, Schubert. Tokyo Bunka Kaikan (Mon) (989 1558).

Luciano Pavarotti with the Tokyo Philharmonic Orchestra. Donizetti, Mozart, Verdi, Puccini, etc. Nippon Budokan Hall. (Tues) (403 5011).

Purcell Quartet. Handel, Purcell, Scarlatti. Casals Hall (Tues, Thur) (403 8871).

Tsushi Nippon Symphony Orchestra conducted by Miklos Erdelyi. Beethoven. Suntory Hall (Wed) (270 6191).

Liège Philharmonic Orchestra conducted by Pierre Bartholomee and the Cantores Chorus conducted by Aimee de Haene. Beethoven (Wed). Palais des Beaux-Arts.

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance byPeter O'Toole as an alcoholic journalist who embodies aFalstaffian, nay-saying life force while committing publicsuicide by vodka. Keith Waterhouse has stitched a fine play, the season's *highlight, from Bernard's own writing*. Ned Sherrin directs (437 2663).

The Good Person of Sichuan (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's greatparable of moral ambiguity about a Chinese prostitute who canonly do good by adopting a vicious disguise. If poverty is notcombated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. Fiona Shaw leads a fine cast in a play *now-minted for the 1990s*. Dec19-21, Dec 28-Jan 3, Jan 11-18, Jan 29-Feb 3 (928 2252).

A Little Night Music (Piccadilly). Fine revival by Ian Judge,imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is tenderly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself. (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

A Chorus Line (Shubert). The longest-running musical in the US has not only supported for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Björnson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Steve Scott, and new adaption by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800).

Tokyo

Kabuki. At the National Theatre (265 7411). *Hokaibo* (also known as *Sumidagawa*). Living National Treasure, Baiko, leads a top-rank cast in a lively lowlife piece about a con-man who disguises himself as a priest. At Kabuki-za (541 3131): two mixed programmes, at 11am and 4.30pm, featuring mainly younger kabuki actors. Both theatres have helpful English programmes and earphone commentary. (Visitors to Kyoto should note that there are also all-star kabuki performances this month at the Minami-za Theatre, before its demolition).

Kokumenya Gassen. New play written and directed by Hideki Noda, loosely based on a famous puppet play by Chikamatsu. An exuberant comic-strip travesty of Japanese myth and history, with brilliant Pop Art sets and lots of colour and movement. The verbal humour may be beyond most non-Japanese, but this is nevertheless a most enjoyable production. Ginza Saison Theatre (5478 0771).

Kodo. The spectacular drummers from Sado Island, off Japan's northern coast, pay their annual visit to the capital in an exciting programme of drumming and dancing. Theatre Apple, Shinjuku (207 5588) Ends December 24.

Body Wars 2. A science fiction allegory about power, performed by energetic fringe company, Daisan Erotica. Honda Theatre, Shimo-Kitazawa (369 1127).

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ARTS

Ariadne

THE PLACE

The new performance alliance gathered under the banner of Gloria, led by Neil Bartlett and Annie Griffin, is one of the most promising developments in our recent theatre. Griffin's crazy new submarine response to the Ariadne myth and assorted musical versions of sexual despondency is not, however, much of a muchness. It looks good and is performed with a sort of tiresomely ingratiating, indomitable éclat. But it fails entirely to find any sensible new definition of the gorgeous transfiguration process at the heart of the opera by Strauss and Hofmannsthal.

It settles instead for a debilitating opacity, when opaqueness would have been more suitable. This is not so much underground, as underwater, theatre. The opera's theatrical metaphor is ditched in favour of a straight contrast between the vulgar, showy promiscuity of Zerbinetta and the iconic aloofness of the abandoned Ariadne. The "composer" is Gloria's brilliant musical director, Nicholas Bloomfield, who sits at a piano supervising two lithely masculine trumpeters in gold lamé boleros. Laura Ford's setting places Ariadne on a coal black Naxos, part cave, part boudoir in a sea of blockish green waves, their undulations stiffened into mini-slides and stepping stones. The backdrop is the green seabed.

The fragmentary approach is possibly intended as a fashionable form of deconstruction. Zerbinetta, played with a Rose English dotty flourish by DV8 dancer Liz Ranken, is intrigued by Ariadne's lament but unmoved by it. Leah Hausman sits aloft the rock in a long white robe that conceals her lower half, at once representative of a restyled Echo (little Kay Hunter) and an itchy groin. Zerbinetta is hounded by a priapic dog ([illegible]) who sniffs around for sex, incorporates the manifold targets of her free love philosophy, and falls on his back to wave his legs in the air and sing "Lady of Spain I Adore You."

That song conjures lavatory humour, and Zerbinetta celebrates the three old ladies who were locked in the loo. By this time, the show has become ossified in mannerism, having played its best hand early on when the imperious third aspect of Ariadne, the singing Beverley Luft, crosses the stage on a Straussian surge. The link between her and the other two Ariadnes is not properly established, as Miss Luft occupies the rock while Hausman goes mad (Thisbe is redefined in the Judy Garland torch song "The Man Who Got Away") and slips repetitively down a green mini-slide, and Miss Hunter is snared by the incorrigible pantomime dog. The stage is awash not with the glorious transports of its inhabitants, but with a physically uninteresting psychosexual ballet. The figure of Death in the redemptive disguise of Bacchus never turns up.

It may be unfair to complain that Miss Griffin has not done what she never set out to do. But in settling for mere Camp instead of aiming for stage poetry, she is only disturbing the expectations she herself has aroused. Some effective stage pictures are arranged in the blissful eruption of the trumpeters as a floor show, the sharp angular choreography on a *difficult* non-surface, and the final masque-like farewell of a corporate Ariadne. But the parts are more than the sum.

Michael Coveney

Italian altarpieces put in perspective

Giles Waterfield on the Art in the Making exhibition at the National Gallery

In the 1970s, Thomas Hoving, Director of the Metropolitan Museum, New York, brought to maturity the blockbuster art exhibition: the assembly of not less than 40 (the magic minimum) and preferably several hundred works of art, generally labelled "treasures" or "masterpieces", or associated with a princely owner, dating from before 1914 and exuding Class.

Such blockbusters were and are intended to bring massive numbers of visitors into the host museum in order to raise money from admissions and sales at the museum shops. This not very elevated, but financially often rewarding, concept continues frenetically at the Metropolitan itself, where this autumn Velazquez jostles Canaletto, pursued by Bonnard.

Museum director Philippe de Montebello has publicly declared that he considers that this policy distorts the real functions of the museum, making it a showplace rather than an institution where permanent collection are added to, studied and conserved. Such, however, is the pressure on the Metropolitan that it is forced to continue to mount blockbuster after blockbuster to appease a ravenous New York public. But is such a policy really necessary?

Mr. de Montebello should take a trip to the London National Gallery to see its current show, a brilliant vindication of the Gallery's long-standing belief that its exhibitions should concentrate on and expound the richness of the permanent collection. This has been the policy for at least ten years, centred on such exhibitions as *The Artist's Eye* and *Picture in Focus*.

Art in the Making: Italian Art Before 1400 is the second in a series of three exhibitions, following last year's Rembrandt with the Impressionists to come in 1990. It contains no loans; it shows one or more panels from eight altarpieces, in one room, with an accompanying display of materials and a slide show; it is full of technical information, soberly and clearly presented. And it is one of the most exciting and illuminating exhibitions to be seen in London for many years.

In the 15th century it was held in Italy that art had declined since the time of Giotto, who remained the greatest master. By the middle of the 19th century attitudes had so far changed that early Italian paintings were only admitted to the collection by the Trustees on sufferance, as specimens of the degradation to which art had sunk before the Renaissance.

As the catalogue allows, the great altarpieces of the 14th century belong to a culture so different to our own and were used in a way so unfamiliar to us that they require a difficult adjustment by the modern viewer. Created at a time of religious expansion under the influence of the Franciscan and Dominican Orders, they were inspired by a change in liturgical practice in 1215 which required the priest to raise the Host high above the altar, for which purpose a splendid background, in the form of an imposing altarpiece, was needed.

Generally seen now as fragments, under many layers of restoration with gold and silver leaf dimmed or invisible, in museum conditions which cannot convey their original settings, these images tend to be admired but scarcely understood.

This exhibition will do much to bridge this gap. It aims to present the results of the extended research carried out by the Conservation, Framing, Photographic and Scientific Departments of the National Gallery into the physical construction of eight altarpieces and their frames, into the preparatory drawing techniques, the extent of studio assistance and collaboration between artists, the type of pigment used and methods of application. Highly advanced photographic methods and sample analysis have been applied, supplemented by use of the fairly extensive surviving literature.

The research has produced a much more precise understanding than was previously available of workshop practice in the 14th century and of the collaboration between members of a workshop (several of whom would contribute to an individual panel), as well as giving new insight into individual works. Much new information has been revealed, for example, about Duccio's changes of mind in working out the Annunciation exhibited here from study of the underdrawing.

Detail from Altarpiece with Three Saints by Nardo di Cione

The presentation of this information has been planned with great care by the organisers. The text labels are admirably clear and concise. The catalogue, published by the National Gallery, is lavishly illustrated and represents a masterly presentation of information in a way that will be useful for both specialist and general reader.

A great achievement of the exhibition is to make the creation of these pictures come alive, to help the modern viewer understand not only the technical but the artistic processes at work in the creation of these panels. A striking example is the Crucifixion by Jacopo di Cione, where detailed examination has revealed the collaboration of another artist with a distinct style, whose ideas for the drapery of two of the leading figures were misunderstood when Jacopo di Cione or an assistant added a quite inappropriately placed golden hem to the existing clothing.

The exhibition reveals very forcefully how greatly the appearance of such paintings has changed, and the catalogue discusses the ethics of attempting to restore them to their original colours. The San Pier Maggiore Altarpiece, partially cleaned, gives some impression of the refulgence that worshippers saw in the 14th century. But the pictures on view here are by no means merely archaeological specimens: the Duccio triptych of The Virgin and Child with Saints, the Giotto Pentecost, the fragments from the Santa Croce Altarpiece by Ugolino di Nerio, all become more accessible and alive as a result of this exhibition.

Italian Painting Before 1400 continues until February 26 and is sponsored by Esso UK, like the other exhibitions in the *Art in the Making* series.

The Prince of the Pagodas

COVENT GARDEN

As we begin to get to know this new *Pagodas* and to understand the identity of Britten's score in the theatre, the nature of Kenneth MacMillan's achievement, and the problems he faced in making the staging, become clearer. Britten's music dazzles by its orchestral mastery, its melodic ingenuity, and the strong dramatic flavour given to each incident. But it seems a work more cerebral than heart-felt, and unlike the big Chaikovsky ballets (to which it refers) it nowhere opens out to emotion with any expansiveness. It is masterly in craft, but unyielding in feeling.

For MacMillan, seeking to provide exactly what the score does not offer – generosity of sentiment – the task has been to engage an audience's sympathies on a deeper level than the music would seem to allow. Thus his second act becomes that journey of enlightenment through which Princess Rose will come at last to understand the nature of love and compassion, and looking below the surface of things, will truly see. It is not insignificant that on our initial view of her in the first act she is blindfold, and led by the Fool. In the second act – Rose's journey – the Fool is her guide, and he blindfolds her so that she may dance with the Salamander prince and truly know him.

The staging is at many points as doubled with meaning as this – MacMillan's taste for psychological investigation has not deserted him – and the text offers continuing oppositions of good and evil, chaos and order, to convey an underlying concern with the nature of innocence and the truths that innocence alone sees. The Fool is a Zen teacher, and agent of the drama. (And with what precision and brilliance is the role taken by the very young and very gifted Tetsuya Kumakawa.)

Intriguingly, a second "doubling" comes with MacMillan's references to *Sleeping Beauty*. Just as Britten was attracted by Chaikovskian procedure, so MacMillan accepts Petipan device as an echo to be seen in his own text. The Rose Adagio becomes a Thorn Adagio for Epine; in entries, processions, ballabili, we can see not pastiche but homage and re-thinking of older forms. These subliminal links, musical and choreographic, are part of the fascination of the staging.

Wednesday night's performance brought the first cast changes in the prodnction, with Viviana Durante as Rose, Stuart Cassidy as the Prince, Deborah Bull as Epine. Miss Durante gives Rose a delicate innocence that is most apt, and she contrives exquisite dancing – sincere and unforced in emotion – for the biggest moments. The second act dance with the Kings; her enchanting solo to violin accompaniment which is the most penetrating portrait of Rose in the ballet with its questioning air; Rose's compassion – all are beautifully stated.

Mr Cassidy, only two years in the company, marks himself for fine things with his performance. He has an easy stage presence – we accept his princely nature at once – and a sincerity in technique that hold great hope for the future. Here is an already assured reading, even when slightly o'erparted by a ferociously difficult variation, and in showing the Salamander's sufferings (not utterly removed from those of Rudolf in *Mayerling*), a clear expressive gift.

From Deborah Bull the strength and biting malice needed for Epine, and a commanding physical boldness. From the rest of the company, excellent dance, excellent playing. In matter of production, I hope that the prologue can be somewhat extended – we need to take in many ideas with extraordinary speed at the moment – and that the magical ending to the first scene of Act 3 can also be more spaciously done.

Clement Crisp

Modern music festival in Vienna

It's hard to know which picture of Vienna to believe: the city of Hapsburg monuments and intrigue; the bright, airy Vienna of the Danube, Johann Strauss and Sachertorte; or the socialist city with long standing traditions of intellectual and cultural eminence.

It is this last picture that best matches the atmosphere of the past month, during which Vienna has excelled itself with a 20th century music festival, Wien Modern. For four weeks the conservatism of the Austrian capital seemed no more than a veneer: not many European cities with a population of half a million can make a box office success of contemporary music.

Vienna, with its heritage of musical creativity, its listening public and the incalculable advantage of having Claudio Abbado as prime motivator, is clearly a special case.

Wien Modern came into being last year. Concert-goers can't avoid it, because it involves all the city's main musical institutions and lasts long enough to create a buzz. The city government provides 70 per cent of the £350,000 budget: the final 30 per cent comes from sponsors and a youthful public eager to snap np spare tickets (a bargain-price general pass was an unexpected success). The whole enterprise, underpinned by talks, exhibitions and a special programme of theatre, reflects extremely well on Vienna's contemporary outlook on he Arts.

The principal aim of Wien Modern is to make an initial assessment of Music of the post war period, and to look to the future with a younger generation. The four composers featured this year were Cerha, Gubaydulina, Maderna and Stockhausen (the 1990 festival will focus on Berio, Lutoslawski, Carter and Krenek). There were also premières of works by two Vienna-based composers in their mid-thirties, Beat Furrer and Herbert Willi.

Ironically, it was two arch-Viennese pieces that emerged least favourably from the events I heard. Furrer's *Die Blinden*, a chamber opera for nine soloists and offstage chorus, draws on Maeterlink, Holderlin and Rimband as source-material for an exploration of the inner psyche in a half-world between death and after-life. In the State Opera production at the Odeon experimental theatre, Furrer's fragmanted instrumental mnsic came over as commendably simple and nnobtrnsive, bnt tha repetitive banalities of the text made for an hour of pure tedium.

As the representative of Vienna's contemporary music establishment, Cerha featured prominently in programmes at the Konzerthaus. His *Monumentum* for orchestra (1989) may be free of the Berg influences that have dogged his career as a composer, but it offered little more than monolithic momentum, like a tank lumbering down a street.

By contrast, Bruno Maderna's Oboe Concerto No 3 – a dream-like, nocturnal work written just before the composer died in 1973, and brilliantly played by Heinz Holliger – came up mint-fresh, provocative in its expressive rage and delicate power of suggestion. The music is almost completely aleatoric: ideally it needs a better-rehearsed flexibility and "sense of the moment" than it received from the Austrian Radio Symphony Orchestra undar Michael Gielen.

Gubaydnlina was the popular hit of the festival: she has the most un-Viennase voice of all, and the quizzical innocence of her music (allied to the fun she seeks to have with mega-size orchestral forces) makes an immediate appeal. But Gielen's performance of *Stimmen... Verstummen...* suggested that this is another work where she has overstretched her material. Musical ideas which make an initial appeal by their very simplicity, end up sounding primitive.

Abbado presided over the most unusual programme: three Sacrae Symphoniae by Giovanni Gabrieli, a new work by Herbert Willi, and Stockhausen's *Gruppen* (1957). Not much in common there, you may say. Gabrieli's settings of sacred texts were written in Venice at the start of the 17th century. Willi's *Der Froschmausekrieg*, based on an old German adaptation of Homer, describes a war between frogs and mice. The Stockhausen is a classic of modern serialism.

The link is that all three composers use space as a concept in the way they formulate their musical ideas. Gabrieli's choral settings with organ accompaniment originally echoed from three cornere of the San Marco cathedral, while the Willi and Stockhausen scores stipulate three separate instrumental actions. For this purpose, two extra platforms were rigged up in the body of the Konzerthaus auditorium.

Even within the surroundings of a conventional concert hall, the Gabrieli performance by tha young Arnold Schoenberg Choir showed a masterful awareness of the relationship between space, distance and sound. That was just the element missing from *Der Froschmausekrieg*, an insubstantial 12-minute work dominated by the Sprechgesang solo part: the German actress Barbara Sukowa mesmerised the audience with her pointing declamation of the text. But the division of the orchestra into three separate groups made no difference to the aural perspective.

That is just what marks out *Gruppen* so strongly. No one before or after has approached anything like the complex interrelationship of tempo, space and musical idea that Stockhausen achieves. The piece works because the music rises above its intellectual foundations: one really strains to listen and decode the sounds, all the while marvelling at the 29-year-old Stockhausen's ability to bring a sense of theatre to the concert hall through entirely musical means. *Gruppen* has become an Abbado speciality: this performance, in which he joined forces with Matthias Bamert, James Judd and the Vienna Symphony Orchestra, made even greater technical demands than usual, because the three orchestras ware placed as far apart as possible. It was a true musical *tour de force*.

Andrew Clark

London Assurance

HAYMARKET THEATRE

The Dublin born Dion Boucicault must now be the most performed home grown dramatist in that barren theatrical century between Sheridan (another Irishman) and Wilde (ditto), and his first (1841) hit, *London Assurance*, seems certain to remain his popular favourite. Its latest revival started out at Chichester last summer, and after a regional tour, has come to the West End as a Christmas treat.

It is a light hearted piece, historically fascinating as it looks back to Goldsmith for plot and forward to Wilde in its stimulating aphorisms – plus a touch of Shaw in the sparky independence of the female characters. There is nothing much for the audience to do but sit back and enjoy the misadventures of Sir Harcourt Courtly as he makes a prize fool of himself when he goes a-wooing a young heiress in Glos.

Paul Eddington plays Sir Harcourt with beautifully calm precision. He is an elderly city swell, as painted and patched up as Punch, but not without dignity. From his first entrance, as he attempts morning exercises which hardly flex the fingers, to his final curtain call when he feelingly describes what makes an English Gentleman, Eddington paces the evening. He also pulls off a lengthy visual aside with the audience over a double entendre which catches Boucicault out in Act Five, and which in stuffy Chichester was apparently cut out, "pistols" there replacing the wayward "balls."

There is no shortage of well delineated characters but the only acting match for Eddington is Angela Thorne as Lady Gay Spanker, the local Diana, whose hunting pink hit and breezy country manners quite blow away the urbane fop. With a laugh like a clarion and the good nature of a favourite aunt she quickly takes over him, and the plot, reducing Eddington to a shaking wreck as he tries to contemplate a society which is up before dawn.

The rest of the cast – the usual job lot of (temporarily) estranged young lovers, cheery squires, dissembling servants, charming rogues (well done Billie Brown) etc. – can hardly match the style of the leads, and the sets look perfunctory in the West End's most grandiose theatre, but *London Assurance* is such a happy diversion that any longeurs are brief.

Boucicault plays up to British prejudices – the wholesomeness of the country, the deviousness of lawyers – which still flourish and please an audience. After a slow start Sam Mendes's direction soon finds the right light hearted pace.

Antony Thorncroft

ARTS GUIDE

December 15-21

OPERA AND BALLET

London

Royal Opera, Covent Garden. The revival of *Der Freischütz* brings back to Covent Garden the production's original conductor, Colin Davis, and leading tenor, René Kollo; the cast also includes Karita Mattila, Judith Howarth, and Hartmut Welker. Final performance of the hideous new production of *Idomeneo* by Johannes Schaaf, conducted by Jeffrey Tate.
English National Opera, Coliseum. The 1987 David Pountney magical production of *Hänsel and Gretel*, a triumph of intelligent modern operatic rethinking, reassembles most of the original team – Mark Elder (conductor), Ethna Robinson and Cathryn Pope in the *title roles, and* Felicity Palmer and Norman Bailey as the parents. Further performances of Richard Jones's witty, deadpan, offbeat production of Prokofiev's *Love for Three Oranges*, final one of the Madama Butterfly revival, which brings back Janice Cairns to the title role.

Paris

Théâtre des Champs Elysées. Bolshoi Ballet alternates *Giselle* (2nd act) and *Spartacus* (2nd act) with *Paquita*, *Divertissements* and *Raymonda* (3rd act), all choreographed by Yuri Grigorovitch (47203637).
Opéra. *The Sleeping Beauty* in Rudolf Nureyev's production and choreography after Marius Petipa (47425371).

Amsterdam

Muziektheater. The National Ballet with *The Sleeping Beauty* (Peter Wright after Petipa). The Netherlands Opera in *Don Pasquale* conducted by Carlo Rizzi and directed by Renate Ackermann (255 455).

Brussels

Brussels Opera and Ballet Centre Culturel d'Anderghem. The Grand Orchestre Lyrique in Bizet's *Les Pecheurs de Perles* staged by Christiane Gruselle.
Théâtre Royal de la Monnaie. The Monnaie Dance Group/Mark Morris in *Marble Halls*, *Love, You have won* and *Stabat Mater*, choreographed by Morris. The Ghent Collegium Vocale Orchestra is conducted by Philippe Herreweghe.

Antwerp

Koninklijke Vlaamse Opera. Royal Flanders Opera in Richard Strauss's *Ariadne auf Naxos* conducted by Rudolph Werthen and staged by Goran Jarvefelt.

Vienna

Staatsoper. This week: *Cosi fan tutte* conducted by Nicolas Harnoncourt; *Il Trovatore* conducted by Pinchas Steinberg; *La Forza del Destino* conducted by Pinchas Steinberg; *Der Rosenkavalier* conducted by Weikert.
Volksoper: *Die lustige Witwe*, Handel's *Giustino*, Millöcker's *Gasparone*, *Eine Nacht in Venedig*. Ballet: *Fanny Elssler – Frau und Mythos*, by Susanne Kirnbauer with music by Witold Silewicz.

Berlin

Opera. *Tosca* has a strong cast led by Pilar Lorengar, Giorgio Merighi and Ingvar Wixell. The new *Samson und Dalila* production by Gian Carlo del Monaco was well received, when it opened last week with Catherine Keen, Wladimir Atlantow, George Fortune and Julien Robbins. *Der Nussknacker* has wonderful Rudolf Nureyev choreography. *Orpheus undEurydike* in Achim Freyer's production is sung by Lucy Peacock, Hanna Schwarz and Jane Giering. Also offered *Hänsel und Gretel* and *Die Zauberflöte*.

Hamburg

Opera. *Eugen Onegin* has a first-rate cast led by Bernd Weikl, Olive Fredricks, Gabriela Benackova, *Daphne Evangelatos*. The rediscovered opera *Der Schatzgräber* by Schreker is sung by Gabriele Schnaut, Josef Protschka, Harald Stamm and Franziska Ponitz. *Zar und Zimmermann* is a repertoire performance and *Hänsel und Gretel* returns.

Bonn

Opera. Udo Zimmermann's performance of his opera *Die wundersame Schustersfrau*, which opened last week, was extremely well received, even in Bonn where the audience is not used to modern music. The strong cast is led by Maria Hussmann, Rolf Haunstein, Brigitte Lindner and Christine Obermayr.
Der Nussknacker is choreographed by Youris Vamos.

Frankfurt

Opera. *Tosca* in Jean-Pierre Ponnelle's production stars Galina Kalinina, Giacomo Aragall and Alain Fondary. *La Bohème* has fine interpretations by Eliane Coelho, Patricia Wise and Fabio Armiliato making his Frankfurt debut as Rodolfo. Further offered a Alicia Nafe Lieder recital accompanied by Jean Lemaire with songs by Vivaldi, Scarlatti, Pergolesi, Cherubini, Fauré, Debussy and Falla. Hans Werner Henze's opera *Die Bassariden*, produced by Götz Friedrich, will have its premiere this week with Karan Armstrong, Marcela Holzapfel, Ortrun Wenkel, Kenneth Riegel, Wolfgang Schoene, Wolfgang Probst and conducted by Garcia Navarro.
Elektra is sung by Anny Schlemm, Eva Marton, Toni Kraemer and Wolfgang Probst. *Tosca* stars Giovanna Casolla, Siegmund Nimsgern and Michael Sylvester. Also Offenbach's *Der Karottenkönig*.

Cologne

Opera. *La Finta Giardiniera* will have its premiere this week, produced by Willy Decker, conducted by Lothar Zagrosek. The cast includes Michael Myers, Teresa Ringholz, John la Pierre and Janice Hall. *Faust* features Christian Lara in the titls role, Stefanie Friede and Ulrich Hielscher. *Die Zauberflöte* has Susan Burghardt repeating her much praised performance as Queen of the Night. A Francisco Araiza Lieder recital is accompanied at the piano by Irwin Gage. *Hänsel und Gretel* rounds off the week.

Madrid

Ballet Nacional de Espana. *Don Juan* is a new ballet choreographed by artistic director Jose Antonio, who is also the lead dancer, and conducted by Enrique Garcia Asensio. Ends Dec 30.

Rome

Teatro dell'Opera. Beni Montresor's production of Verdi's *Falstaff*, surprisingly set in the Po Valley in northern Italy, conducted by Evelino Pido. The cast includes Paolo Gananelli, Maurizio Bolognesi and Adelina Scarabelli, conducted by Evelino Pido. The Rome Opera Ballet in Ben Stevenson's version of Cinderella.

Milan

Teatro Alla Scala. Season opens with Pier Luigi Pizzi's lavish but not particularly well-received production of Verdi's *I Vespri Siciliani*. Both Chris Merrit (Arrigo) and Cheryl Studer (Princess Elena) give mixed performances in their long and taxing roles, but Ferruccio Furlanetto is excellent as Giovanni da Procida. Carla Fracci and company are splendid in the long third-act ballet. Riccardo Muti conducts with his usual verve and euthority (80.91.26).

New York

Metropolitan Opera. The week features the first performance of the season of *Wozzeck*, conducted by James Levine, with Hildegard Behrens, James King and Graham Clark. Performances continue of August Everding's new production of *Der fliegende Holländer*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Sylvain Cambreling conducts *Les Contes d'Hoffmann* in Otto Schenk's production with Ruth Welting, Judith Blegen and Luis Lima. Leona Mitchell sings the title role in *Aida* with Dolora Zajick as Amneris and Sherrill Milnes as Amonasro in Sonja Frisell's production conducted by Christian Badea. Lincoln Center Opera House (362 6000).
New York City Ballet. *The Nutcracker* takes up the holiday season until Dec 31. New York State Theatre, Lincoln Center (870 5570).
Alvin Ailey Dance Company. Only a week after the sadly premature death of the company founder and choreographer, the group performs its familiar but ever rousing mix of lively dance steps set to American gospel, jazz and folk rhythms. Ends Dec 31. City Center (581 7907).

Chicago

Lyric Opera. Barbara Daniels is Rosalinda and Neil Rosenshein sings Alfred in director Giulio Chazalettes's new production of *Die Fledermaus* conducted by Julius Rudel. Frederica von Stade continues as Rosina and Thomas Alleo as Figaro in Roberto De Simon's production of *The Barber of Seville*, conducted by Alessandro Pinzauti. Lyric Opera (332 2244).

Tokyo

Bulgarian National Folk Ensemble. Shinjuku Bunka Centre (Mon) (350 1141).

SALEROOM

Ayckbourn makes £2,000

Sotheby's deprived itself of the star lot in its English Literature and History sale yesterday when it arranged on Wednesday for the disposal of the family archive owned by the Marquess of Downshire to the British Library for around £2m.

Most of the money in the Private Treaty sale came from the National Heritage Fund, happy to keep intact one of the finest collections of English historical documents from the mid 16th to the late 18th century. The ancestors of the Marquess had been diplomats, lying abroad for their country.

The autograph manuscript of Alan Ayckbourn's adaptation of Sheridan's *A Trip to Scarborough*, the first Ayckbourn document at auction, sold, for charity, for £2,090, double estimate, to Maggs. The dictaphone recording by Agatha Christie of her last novel *Postern of Fate*, also doubled its estimate, at £7,480, to a French dealer.

An oddity of the auction was the offer of three literary watches. That owned by Lewis Carroll (Dodgson) sold for £9,360; Chesterton's made £1,100; and Ian Fleming's fetched £880.

London dealers Quaritch and Maggs took the top lots, Quaritch paying £41,800 for a contract for a 1622 voyage to New England involving John Mason, founder of New Hampshire, while Maggs paid £39,600 for a printed copy, hand revised by Lawrence of the 1922 Oxford edition of the *Seven Pillars of Wisdom*. Maggs paid £24,200 for a 17th century chart of the Chile coast by William Hack and Quaritch bought a 17th century Ottoman chart of the Middle East for £17,600.

Phillips had an odd little sale on Wednesday at its Knole auction house disposing of Victorian and Edwardian trade catalogues and ephemera. A batch of 1,800 catalogues, dating from 1895 to 1912, and selling the goods of car, bicycle, brass bed, garden furniture and sports goods makers among others, were discovered in an attic by a Malvern man. When a local dealer offered him £3,000 for them he realised they might be valuable. Sotheby's and Christie's were not interested but Phillips sold them all for £55,033. Top price was the £1,870 paid for 11 sample sheets depicting the 1890 products of Middleston Bedstead Company.

Antony Thorncroft

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Soviet reform deferred

MR NIKOLAI Ryzhkov has made a chilling speech on the Soviet economy. It is not the end, but it could be the beginning of the end of Soviet economic reform for the present period.

His speech on Wednesday was presented as the official version of the perestroika process. Perestroika means restructuring: Mr Ryzhkov's version is restructuring – but backwards. Price reforms are to be delayed, and introduced stage by stage. Police measures against the black market are to be stepped up. The planning process is to be geared to switch production from investment to consumer goods.

He is seeking once more to link the economy to the levers which can be pulled from the men in the ministries and the state planning offices, to take the economy back to what remains of Soviet certainties. As 23 of the peoples' deputies elected from the Komsomol youth organisation wrote in the movement's newspaper on Tuesday, his report left unmentioned the "true causes" of the economic difficulties – the non-market character of the economy and the lack of interest among workers and collectives in the results of their labour.

Radical reform

It has also cut the ground from under his deputy, Dr Leonid Abalkin. Last month, Dr Abalkin staged a conference on "the problems of radical economic reform." He argued for private property, for the market as "the most democratic form of regulating economic activity," for free prices and for competition. It was unmistakably the programme of one who knew there was no temporary stability to be found somewhere in the trough between command and market systems. In his paper, Dr Abalkin talked of the "awareness of the need uncompromisingly to dismantle the command-administrative system." That was a hope, rather than a statement: it has proved to be weakly based.

We should not ignore, as Mr Ryzhkov and Mr Mikhail Gorbachev certainly cannot ignore, that the Soviet economy now feeds an increasing social instability. No politician can be indifferent to the effects of planned reforms: a doctrinaire can lose everything, a pragmatist can save much by timing and finesse. Mr Gorbachev's uncanny sense of when and when not to ride waves has so far been consistent with a fairly steady advance towards greater freedom, economically and socially. Now, however, there is a danger that the advance is halted, and his and others' political skills are put at the service of holding a shrinking ring. For the Soviet regime, with nationalists to the right of them, a discontented working class to the left of them and a crumbling economy before them, the right motto probably is: "Situation excellent: I advance!"

No refuge

The best reason for saying so is that retreat will find no firm refuge. There is, as the new Czechoslovak economic team is now saying, no such thing as a planned market: a market cannot exist without price reforms. Nor can it co-exist with directive central planning. Nor can an attempt to revive the planning mechanism be innocent of political and social changes: it is no accident that the police are now being enjoined to crack down on the unofficial market. Mr Ryzhkov's speech was a conservative one, possibly heralding a conservative reaction all along the line, with profound implications for the country's external relations.

This need not happen. The reforms of the past five years have put in place, in the Council of Peoples Deputies and the Supreme Soviet, institutions which have proved themselves capable of both expressing a popular mood and of stopping initiatives from on high. The report which has accompanied Mr Ryzhkov's speech, partly drafted by Dr Abalkin, is rather less rigid than he was when he spoke. Other deputies may demand big changes.

If they do not, and the retreat goes on, two things will almost certainly happen. The situation will improve only temporarily if at all; and not far down the road, the ghosts of the Soviet economy past, present and yet to come will await the country's leaders, more terrifying, more loaded with chains, than before.

Adjustment in EC fishing

THE PROBLEM of excess capacity is one which western Europe has already had to tackle in steel, coal, textiles and other traditional industries. It is not widely recognised that the same challenge will soon have to be faced by the European Community's increasingly hard pressed fishing fleet.

This, however, is the reality which EC Fisheries Ministers must accept as they prepare for what seems certain to be a very difficult meeting next week over the setting of annual catch limits for 1990.

The news from Brussels at this stage is bleak. In line with scientific advice which shows that key stocks have been seriously depleted by overfishing in recent years, the European Commission has proposed that the Total Allowable Catch (TAC) for several important species should again be sharply reduced.

Worst affected will be English and Scottish fishermen in the North Sea, who face cuts respectively of around 60 per cent and 20 per cent in the quantities of haddock and cod which they may land. But the general trend is also down and the suffering will certainly not be confined to the UK. The fact that this is the second successive year of deep quota cuts – and that the UK's share of the haddock TAC will probably end up being between a third and a quarter of its level when the Common Fisheries Policy and its control instruments were introduced in 1983 – makes the squeals of protest from the fishing industry all the more convincing.

Prosperous period

The inescapable problem is that too many boats are chasing too few fish. The industry in the mid 1980s went through a period of exceptional prosperity with generous numbers of fish available under the CFP, healthy prices and good profitability. Not surprisingly newcomers entered the market place and those already there used the opportunity both to modernise their fleets and to increase capacity.

That the alarm bells rightly being sounded by the conservationists should be ringing at a time of exceptionally high interest rates makes the change in fortunes all the more difficult for those involved to understand.

The Ministers at next week's meeting in Brussels must nevertheless stand firm in the face of pressures to bump the quotas back up to unsustainable levels – and continue to point out to their fishing industries that such short term expedients are not in anybody's longer term interests.

They should also acknowledge that the tougher controls now required will not lead to an immediate recovery in the level of stocks – as happened to herring in the late 1970s and early 1980s – and that more consideration should therefore be given to ways of slimming what is now a bloated fleet.

Special vulnerability

One argument would simply be to leave this to the market so that the weak and overborrowed go to the wall. But given the special vulnerability of fishing communities in remoter areas, some help in the process of adjustment, as has happened with other industries, is justified.

The question of compensation payments was ducked this time last year, but in view of the poor response so far from member states to the EC's existing "multi-annual guidance plans" – which provide aid to modernise fleets provided fishing capacity is reduced by 3 per cent over five years – the same mistake should not happen again.

The option of decommissioning boats favoured by many in the industry – and being considered by the British Government – admittedly has its drawbacks. The parallel with EC agricultural policy – which now includes a scheme to pay farmers to take surplus land temporarily out of production – *is not an auspicious one* for those who like to compare the tens of millions of Ecus spent on fisheries with the tens of billions needed to support the CAP. Decommissioning might perversely result in the more efficient, but more highly borrowed, companies leaving the industry.

Cutting TACs and quotas in this context may seem the easy part of next week's meeting. Taking steps to reduce the fleet size must not be forgotten.

A.H. Hermann talks to Czechoslovakia's new Prime Minister

Burden of reshaping a nation

In his first important interview on economic and financial policy, Mr Marian Calfa, at 44 Czechoslovakia's youngest Prime Minister, who took office last Sunday, talked to the Financial Times in his shirtsleeves. No western politician could better him in the directness and evident sincerity with which he answered questions.

He sees as the main tasks of his Government:

- A thorough democratisation of public life and the preparation of free elections;
- Creation of the conditions for restructuring Czech industry;
- The placing of the security services under political control.

The last of these tasks proved an almost insuperable obstacle even before he formed his Government. He found it impossible to reach an agreement on who should be Minister of the Interior. In the end it was agreed that the functions of this minister would be assigned to a *triumvirate* consisting of the Prime Minister and two of his first deputies, of whom one is a reforming Communist and the second is Mr Jan Carnogursky, a Catholic lawyer who only a couple of weeks earlier was prosecuted for dissident activities.

Mr Calfa is himself a lawyer who has specialised in business law. His professional career started with CTK, the Czech news agency, where he worked as a lawyer. His most recent job before his present office was as co-ordinator of new legislation in the office of the Prime Minister. He has been a member of the Communist Party since 1964. He spoke to me in Czech – not Slovak; this is no great difficulty linguistically, but for a Slovak like Mr Calfa it is a mark of rare tolerance.

The new Prime Minister lays great stress on tolerance and consensus. Mr Calfa underlined that as Prime Minister he is not a boss but only the first amongst equals. "I will not try to impose my will on the Government. If I cannot achieve the consensus of the entire Government I will resign." Such consensus will seldom be easy because out of 21 members of his Government, only 10 are Communists – creating the *first government* not dominated by the Communists since their takeover in 1948.

There was also, he felt, a time limit on his premiership: the free elections which should take place in the middle of next year could put an end to his Government. "My disadvantage is that I am a Communist and have no intention of ceasing to be one," he said disarmingly.

He hurried to add that this disadvantage is not quite fair. One could find reformers among the Communists who were more radical than those outside the party. The 1968 reform movement, he reminded me, had its roots in the party which was never quite monolithic. Clearly, Mr Calfa would like to be seen as a radically reforming Communist, from a party which had hardly any trace of the formerly strong reformist strain left, after the purge which followed the 1968 Soviet invasion.

He spoke of the early days of the Czechoslovak Communist Party which bore marks of its social democratic origin. "The totalitarian repressive methods which later on got the upper hand cannot be blamed entirely on the ruling strata alone: those who were ruled and suffered the tyranny and co-operated with it must also bear their share of the blame."

There was now a need to look to people as individuals with individual qualities and skills and not as members of this or that political party. On the human plane he mentioned as an example that he hopes to be able to co-operate fruitfully with Mr Jiri Dienstbier, the Foreign Minister in his government, and that he deeply regrets the persecution and imprisonment to which Mr Dienstbier, a dissident journalist, was exposed in the course of the past year.

The Government will submit to Parliament bills for the protection of human rights, freedom of speech and association, and freedom of travel. Mr Calfa pointed out, furthermore, that political parties are already mushrooming. Indeed, with almost a new grouping with each day, one must fear that the electorate will be atomised when it comes to the general elections, which the Prime Minister emphasised will be completely free and democratic.

But of the three great challenges facing the new Czechoslovak government, our conversation centred on whether the Prime Minister thought his country's command economics could be transformed into a market economy by a gradual transition, or whether the end would be better attained by a single radical shock.

Mr Calfa said this was really the cardinal question. He answered it at length and it appeared that he is not willing to let the population pay the penalty for a failed economic policy. In other words, both mass unemployment and inflation must be avoided at all costs.

Czechoslovakia's industry was, he said, badly unbalanced, with excessive capacity in heavy industry, particularly steelmaking and heavy and medium heavy engineering. These sectors were greatly expanded in the 1950s in response to the requirements of the Soviet Union and other Comecon countries.

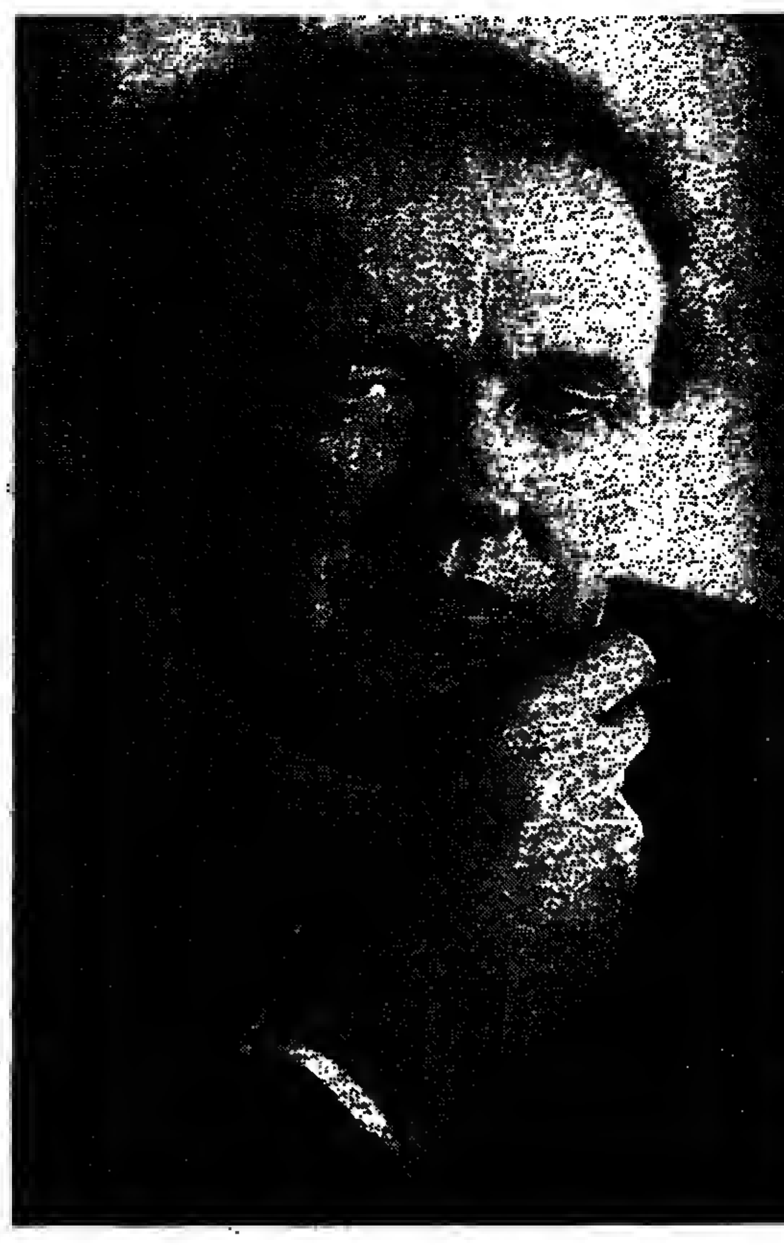
Czechosolovakia has always been *the* industrial country of Central Europe, the machine shop of the Austro Hungarian empire and, later, along with East Germany, the factory of the Warsaw Pact. The social costs of this role have only recently come to be fully understood.

For linked up with this industrial base is a *network of coal-fired power* stations – burning lignite with a high content of sulphur – causing enormous environmental damage. The power supplies diverted to heavy industry, moreover, are at the cost of new enterprises and consumers who are not supplied with adequate electric power.

However, the replacement of lignite-burning power plants presents an almost insoluble problem. Austria objects strongly to the construction of another nuclear power station and Hungary protests against the completion of a great dam on the Danube near Gabcikovo. The dam could be an important source of hydro-electric power.

The Prime Minister said that another great error of Czechoslovak economic policy was to see its problems only within the confines of a small country. The network of monopolies – sometimes held by quite small enterprises, was not the result of legislation or regulation but of economic structure and protectionism. "Czechoslovakia's small monopolies cannot be broken and the Czech economy cannot prosper without opening first to the world and exposing Czech industry to cross-border competition."

Mr Calfa sees such an opening of the frontier, by removing administrative obstacles, as his foremost task. The only means for regulation of foreign trade and cross-border co-operation ought, in his view, to be exchange controls and a normal customs tariff regime, perhaps with some import quotas where necessary.



Consensus or resignation: Marian Calfa, head of the new coalition

Hand in hand with such an opening of the Czech economy to the world economy ought to go the separation of the enterprises from the state economic plan – and, crucially, the freeing of managements from government interference. Though this should go a long way it could not be complete as long as Czechoslovakia still had to meet its foreign supply obligations. Mr Calfa was referring to his country's commitment to supply certain products to the Soviet Union and other Comecon countries. He said that when necessary enterprises would be helped financially to complete such supply contracts, which would remain commercially unattractive without state subsidy.

The restructuring of the economy was likely to be facilitated by resources released by the gradual reduction in the armaments industry which has been taking place over the past two years. The reduction of arms production has released both materials and components and some of the most skilled workers and technicians for the benefit of other industries.

An important feature of the present economic situation was that the Soviet Union was losing interest in certain supplies to which the Czech economy was geared, while the quality of such products was not always up to world market standards and service requirements. Thus, though they might be released from the Soviet requirement, such products were not readily saleable in the West.

However, Czechoslovakia had a number of 'hidden' resources. In the first place there was the high educational standard of its workforce. There was also a surplus of industrial buildings and hidden reserves of labour in overmanned enterprises. Finally there was under-utilisation of machinery as almost all industry worked on a one-shift basis.

Even so, industrial restructuring was likely to be a long process unless speeded up by co-operation with western firms. For this reason the Government would give maximum support to cross-border co-operation, ranging from joint ventures, through distribution arrangements, to joint R & D agreements. The Prime Minister said that German and Austrian firms seemed to be best placed to understand the needs and problems of Czech industry and were ready to meet them halfway.

The support the government intends to give to cross border initiative in upgrading Czech industry may also be related to the Government's reluctance to consider foreign loans on a governmental basis. Mr Calfa made clear his opposition to such a policy which would increase the country's indebtedness in such a way as to impair its present high credit rating. This is due to the foreign debt of only $7bn which is easily serviced by Czech resources. "We don't want to be beggars," he emphasised.

Foreign investment would be welcome, but only by commercial or investment loans agreed between enterprises. The Government was prepared to support such private agreements with government guarantees. Such guarantees would be based on bilateral agreements already concluded with some countries.

When I raised the question of the inflationary pressures resulting from the excess money in circulation and asked about the likelihood of monetary reform, Mr Calfa denied any such intention vehemently. Monetary reform, he said, would hit the poor and keep the rich rich as they had their assets invested in real estate or valuables. It would have no lasting effect unless the causes of the disequilibrium were removed first.

The Government would seek a remedy in a tighter fiscal policy. Though the Czech budget had always been presented as balanced this balance was fictitious, he said, and was achieved by "some magic tricks" with figures. In fact, there was a huge deficit and his Government would put its cards on the table remedy.

One way might be to increase "the contribution" – taxes is the more usual term – levied on industry. The other way was cutting subsidies and social expenditure. The way the Government is choosing at present is evident from the interim budget presented to the federal parliament yesterday. Subsidies to industry and the collective farms will be reduced by nearly a third – but social expenditure, such as social security, health and education, will be kept at the present level.

The Prime Minister stressed repeatedly that, on no account would the burden of restructuring be shifted on to the shoulders of the citizen. There might be unavoidable transfers of workers to new jobs and in that case the Government would provide retraining either directly in its own establishments or indirectly by subsidising training on the job.

Many of the reforms now under way, said Mr Calfa, had been prepared for some time. Mr Valtr Komarek, a severe critic of the previous Administration, and now the First Deputy Premier for Economic Affairs, had had to revise his views somewhat, when, on taking office, he realised how much work had already been done.

On Wednesday, for example, no less than four major reform statutes were adopted. Three of them overhaul the equivalent of corporation tax, income tax and agricultural taxes, promoting a much more competitive environment. The fourth is a major new law on banks, savings banks and exchange controls.

The job of a Czech Prime Minister these days is certainly not a sinecure, but Mr Calfa does not give the impression of a worried or harassed man. He is young and very much a lawyer used to settling disputes between warring parties.

Watching the TV lobbies

■ The Broadcasting Bill starts its passage through Parliament with the second reading debate in the House of Commons on Monday. But those lobbying for changes in its provisions are pinning their main hopes on the House of Lords, where there is a collection of the great and the good.

There are, for examples, Lord Thomson of Monifieth, a former chairman of the Independent Broadcast Authority and Lord Bonham-Carter, a former vice-chairman and Governor of the BBC. Both sit on the Liberal-Democrat benches, and both can be expected to oppose radical changes in the present broadcasting system.

Then there is Lord Wyatt of Weeford. As chairman of the Tote, he is obliged, along with the heads of other nationalised bodies, to sit on the cross benches. Very much a former Labour man – his first writings were in the left-wing *Labour weekly, Tribune* – Wyatt is now much closer to the views of Margaret Thatcher and the right wing of her Cabinet. Any amendments tabled by him will be watched with considerable interest.

For my own part, I am not much impressed by the arguments of the broadcasting lobby that it is all about preserving standards. It has never been self-evident that British television is better than that of other countries. Anyway, who defines standards? Is Panorama really better than a good snooker match or an old movie? All one can hope for is as wide a range of choice as possible. Probably in vain.

Crackers

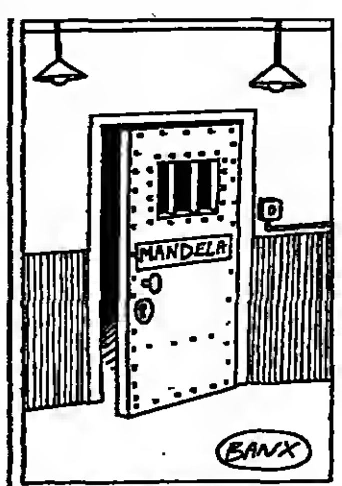
■ Rather a good order turned up the other day for Ralph Sanders: 30 specially-made Christmas crackers covered with a page of the Financial Times showing a photograph of Nigel Lawson, the former Chancellor.

Sanders is an 18-year-old who runs a company called Absolutely Crackers at Marden, near Hereford. He says he always used to make crackers for his grandmother when he was small, then for his mother who runs a riding school, so he left school without taking any exams and set up his business. It used to be called Ralph's Crackers, but changed to Absolutely Crackers when he took on a partner last May.

Output is running at several thousand a year, and the company is beginning to pay back the bank loans.

Orders tend to stem from corporate hospitality. The Lawson order was for a party that the ex-Chancellor was attending. "Crackers," says Sanders, "are an all year round business. We do very well out of weddings."

OBSERVER



State of emergence.

Late news

■ Events still move slowly in some parts of Eastern Europe. Subscribers to the East German Ministry of Foreign Affairs' monthly newsletter, Foreign Affairs Bulletin, received their latest issue yesterday.

It was headed: "SED General Secretary on working visit in Mosocw. Full agreement at Gorbachev-Krenz meeting." Now, who was Krenz?

On the brink

■ Such are the costs of insolvency that the insolvency business itself is being reorganised. Richard Floyd, the insolvency specialist at accountants Moores Rowland, is demerging to re-establish the Floyd Harris independent practice he set up in 1971. It will work from Croydon – to save costs, though it will maintain a London address, and will deal only with insolvency.

Floyd is not quite the first to follow this route. A group of three broke away from Arthur Andersen to do the same thing two years ago, and tha habit may grow. Floyd says that the Insolvency Act of 1986 made directors much more conscious of their financial responsibilities. Therefore the insolvency experts tend to be called in earlier than they used to be. "We are the Samaritans," he says. It is prevention and financial surgery rather than just picking up the pieces.

Long view

■ Hardly in the same league as the car number plates Christie's auctioned yesterday morning, but they were pleased to raise £7,600 for a rare late-18th century transit telescope in the sale of scientific, philosophical and medical instruments after lunch. An Australian *buyer bought it by telephone.*

Made by Troughtons of London, this was the telescope used by Phillip Parker King to survey the coastline of Australia. His charts still form the basis of those used today.

King spent the years 1817-22 surveying and charting the west, north and north-east coasts, and laying a new route from Sydney to the Torres Strait inside the Barrier Reef. He published his work in 1827.

The anonymous seller came from a Sydney *family* which itself had made scientific instruments for nearly a century.

King's travel-stained telescope, 26 inches high, was sold unrestored, in its slightly crusty black oxidised finish. *It was one of three telescopes* fetching over £6,000.

Last pound

■ The Royal Bank of Scotland is handing out £1 notes to journalists. It wishes it to be known that it will soon be the last bank in Britain to produce them.

The Clydesdale Bank and the Bank of Scotland are both getting out of the business on the grounds that £1 notes are now worth so little that they are simply used as small change and are seldom returned to the bank. Thus they are reduced to "unacceptable" quality.

The Royal's new £1 notes are some millimetres smaller to avoid confusion with the new smaller £5 notes the Bank of England is issuing next year, and are also printed on tougher paper. The Royal will go on making them as long as they are "economically viable to produce" and "popular with our customers".

There is not much doubt on the latter score. A large number of Scots regard the £1 coin as another feature of Thatcherism. Not thet they disdain to use it.

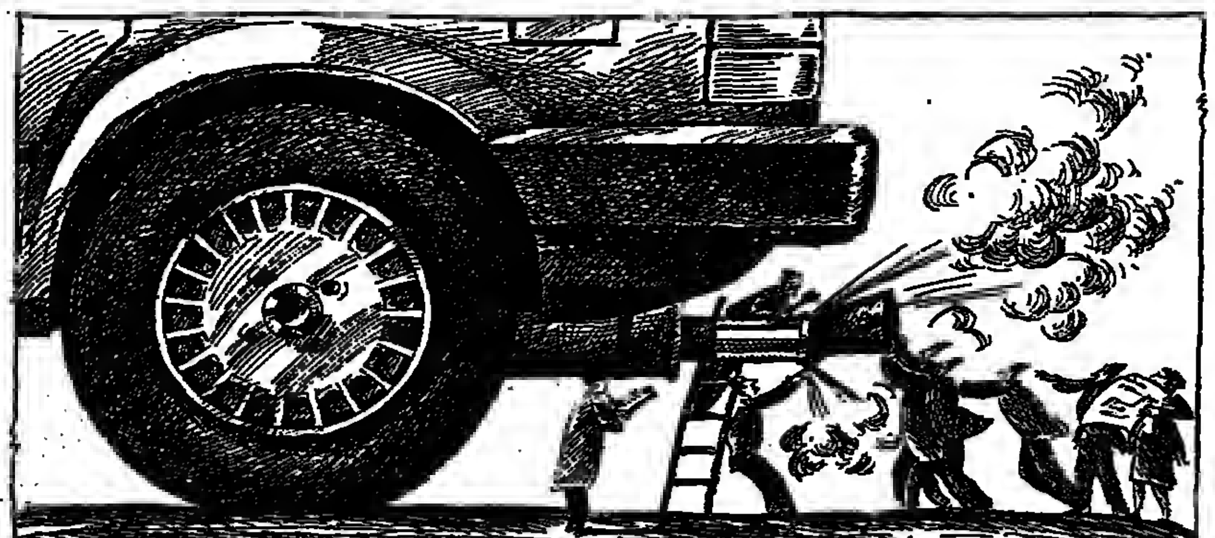
On the line

■ A colleague telephoned Milton Keynes station yesterday to ask about the time-table only to be told: "Get off the line, there's a train coming."

POLITICS TODAY

The environment can-can

By Joe Rogaly



Velen, Westphalia – "I have this recurring nightmare," said the energy expert. "One day I'll wake up in the middle of a plenary session not knowing which conference on carbon dioxide emissions I fell asleep in." This is a syndrome, perhaps familiar to non-executive directors, that I had not previously encountered in the environmental field. Yet you can hardly blame the poor fellow. Is it Villach 1985 or Villach 1987? Bellagio in 1987 or Toronto in 1988? The Hague at the beginning of this year or Noordwijk a few weeks ago? Is it run by the EC, the OECD, UNEP, the IPCC . . .? There is no succour to be had from looking around the room, rubbing your eyes. For the conferences may come and go but, by and large, the delegates remain the same.

As it happens, it is Velen, near Munster, about a week before Christmas 1989. We are in a "workshop" on energy and the environment. The host is the West German Government, the umbrella organisation is the UN's 34-member Economic Commission for Europe (ECE), and the hot topic is carbon dioxide. It comes out of the exhaust pipe of your motor car and shoots up Powergen's chimneys and contributes mightily, we are practically certain, to the Greenhouse Effect. That is why Toronto called for a 20 per cent cut from the 1988 level by the year 2005, just 15 years away.

Mrs Margaret Thatcher explained it all with graphic force when I asked her about it on Monday morning. For millions of years, she reminded the FT, the world's population was under 1bn. "We had all the carbon fixed down in the earth as coal, oil, peat, gas," she went on. Then the *coup de grâce*. "We have now gone up . . . to nearly six billion over a matter of about 150 years, *and all of the carbon that has been down there for millions of years is in a matter of decades being put up there.*"

You would think, with a picture like that in her mind, that the Prime Minister would programme British Government officials to lead the Green pack at conferences like this one. Not a bit of it. We have two Department of Energy civil servants here, and one from the Department of the Environment. Together with the man from the US State Department, they constitute an Anglo-Saxon contingent whose purpose seems to the rest of the delegates to be to make sure that nothing specific is decided. Another piece of Maggiavellian chicanery, I thought after an afternoon of "delete 'should' and replace with 'could'" and "my Government cannot accept such a percentage target/completion date/intimation of regulatory intent."

The true story is more intriguing than that. It is about the UK energy department fighting tooth and nail for the government's freedom to privatise electricity (and, one day, coal) away from the intrusion of the real world of environmental constraints. On a more elevated level, it is also about two different global initiatives to control CO and other noxious emissions.

The first has its origins in the famous UN-sponsored report on "sustainable development," published in 1987. It concerns all threats to the environment, not just the Greenhouse Effect or climate change. The report's principal author, Mrs Gro Harlem Brundtland, was Prime Minister of Norway at the time. So Bergen will be the host city for a follow-up to Brundtland next May. Here in Velen we are preparing recommendations for the Bergen meeting, whose title is to be "Action for a Common Future." The Nordic countries, plus West Germany, Holland, Italy and to some extent Canada have all taken a firm line, looking for clear recommendations with specific numerical targets attached. What they want is commitment, now if possible, next May if we have to take things slowly.

The second, narrower, track is the Inter-Governmental Panel on Climate Change (IPCC), whose founding father is the US and loving mother is Mrs Thatcher. It has three working groups, one chaired by the US, one by Britain and one by the Soviet Union. The delegates from Moscow have therefore supported the Anglo-American blocking tactics in Velen. Outside the long, tedious, drafting sessions at mealtimes and during other breaks it is often Soviet-US or British-Soviet heads you see together in quiet conclave. The principal advantage of the IPCC track, in the London-Washington-Moscow view is that it is global, bringing in the Chinese and the Japanese, while the ECE area is merely trans-Atlantic, although it does include East European countries. As it happens, the 34 ECE countries, most of which are represented here, are responsible for 70 per cent of the world's primary energy and fossil fuel use. Never mind, I suppose that if you leave the great Asian nations out you are not telling the whole story.

The fundamental question is whether the IPCC is a genuine attempt to get a good strong global convention on Greenhouse gas emissions or whether it is a sly Big Three plot to control the environmental movement in order to prevent the Bergen enthusiasts from establishing onerous standards. There are good scientists involved in the IPCC working parties, and the chairman is a Swede, so it may be reasonable to wait until November 1990, when its first interim report is due. That would not take care of all the other environmental concerns (Mrs Thatcher listed many for us on Monday), but it might make headway in preparing global protocols on CO emissions.

Most countries now favour "economic instruments" – higher prices for fossil fuels, tax disincentives, or tradeable permits for polluters. The British Treasury is already studying the possibilities of all of these. In addition the Bergen axis would like to include regulatory measures where fiscal controls are insufficient. No problem. In our Monday interview Mrs Thatcher said she was willing to bring polluters within a framework of regulatory standards, so the prospects for British agreement at both Bergen and the IPCC are fair, particularly now that Bergen is being softened up in advance.

In fact a pattern is beginning to become apparent. Every country finds that sooner or later a popular awareness of environmental dangers obliges the government to take action: the Russians, Hungarians, Poles and other east Europeans here attest to that. In the end a fat national plan, listing many detailed, specific, actions and proposals, is produced. The Dutch, the Danes, the Swedes and others have done this. Mr Christopher Patten, Britain's Environment Minister, is working on a first draft due to be published next year.

It is also becoming easier to foretell what such plans will mostly be about. A seminal text is an October 1976 essay by the American energy-savers' guru, Amory B. Lovins, listing a myriad design changes, feasible within current technology, that added up to hundreds of billions of savings in total US energy costs. Mr Lovins saw Mrs Thatcher at the weekend, and came through Velen with his message on Monday. Many large companies are aware of what lies in store. A Director of Siemens issued a statement here indicating his company's interest in energy-efficient products, and less noxious forms of power generation. It is all in the details.

This is shown in a paper by the British environmental consultant Gerald Leach, now based at the Stockholm Environmental Institute. Mr Leach, who is on a UK Department of Energy panel, argues that Britain can meet the Toronto target, and enjoy 40 per cent economic growth between 1987-2005, on "generally quite modest assumptions" about best practice energy-efficient and low-cost demand ans supply technologies.

This involves more insulation, fewer large cars, development of existing prototype fuel-efficient motor vehicles, a switch towards gas-fired electricity generation and renewable sources of energy, a change-over to fluourescent lighting, and so on. There is nothing revolutionary in this: it continues a trend that began with the oil price shocks of the early 1970s, one result of which is that over the past 20 years Britain's consumption of energy per capita has fallen, even as the economy has grown.

Mr Leach's plan follows the Lovins thesis – that getting smarter about design and technology brings about great cost savings, so that there is a case for reducing energy consumption on grounds of simple economic prudence. Big figures follow from his small incremental proposals: consumer spending on energy is reduced by £140bn, at 1987 prices, between 1987-2005. The biggest saving, £88bn, is from more fuel-efficient motor cars; £22bn is from the residential sector.

I know what he means. We are already doing our bit in our new FT building, where the lights go out in my office if I sit still, lightly tapping at the keyboard, for more than five or *six minutes at a stretch. To reactivate* the sensor I have to do a can-can three times round my desk, shouting carbon dioxide as I do the final splits. Being more in sympathy with the Bergen than the IPCC approach, this is a small sacrifice to make, quite consonant with the view (echoed by Mrs Thatcher) that science is only pretty sure, not absolutely certain, that CO leads to a Greenhouse Effect, global warming, floods and disaster.

The trouble with "pretty sure" is that it allows us all, the US in its present mood in particular, to keep on postponing the setting of stringent targets for CO reductions. Fortunately, the Californians are leading the way towards completely new engines. There is hope in that; what cannot be guessed at is whether the worst-case forebodings are right. If that is so, it is economic and population growth that have to be curbed, not merely energy use on existing growth lines. But that is the stuff of another more deeply green conference circuit, far removed from the safe-growth folk at Velen.

LOMBARD

The rebirth of socialism

By Michael Prowse

THE OVERTHROW of communist power in eastern Europe is widely interpreted as a ringing endorsement of western capitalist values. Some commentators have claimed that the battle of ideas is over: in their eyes, market-based individualism of the kind which finds its fullest expression in the US has proven its superiority to all other forms of social and economic organisation. The tearing down of the Iron Curtain, in short, proves we are all Thatcherites now.

Such a neo-conservative reading of events is implausible – as well as sickeningly complacent. Some individuals in communist conntries undonbtedly support extreme libertarian policies of the sort advocated by Robert Nozick in Anarchy, State and Utopia: a nightwatchman state and any amount of inequality provided it results from "free" trades in the market place. But the great majority of east Europeans are surely doing no more than reject tyrannical government. They want freedom. But free-market capitalism is not the only environment in which freedom can flourish. There is also such a thing as democratic socialism.

My guess is that if the residents of East Germany, Czechoslovakia and Hungary were asked to rank the *socio-economic systems of* western countries, they would pnt Sweden and Austria far ahead of the US and the UK. They want greatly to improve the efficiency of industry and commerce, but they do not want rampant crime, poor schools, squalid public transport, bag ladies, a growing underclass and soaring social and economic inequality of the kind promoted in Britain and the US. It is thus absurd to interpret their rejection of left-wing extremism as a vote in favour of right-wing extremism: Jacques Delors's philosophy is far more likely to win their allegiance than that of Nigel Lawson.

This is not to deny, however, that the meaning of socialism is changing. The Soviet Union, China and eastern Europe have demonstrated beyond all doubt that state planning is economically inefficient. In the West, nationalisation and public ownership have also had an unhappy history. State-run bureaucracies are often poor at meeting the needs of individuals. But they were only ever advocated as a means to the important ends of greater efficiency in prodnction and greater equity in distribution. Socialists should not blush at the need to discard institutional arrangements which did not deliver the goods; capitalists, after all, are constantly scrapping out-of-date machinery as they search for ever faster ways to make a buck.

But if everybody accepts the case for decentralisation and increased reliance on the market, what now distinguishes the political left and right? The answer is to be found in very different conceptions of social justice. The right-wing view, which dates at least from David Hume, is that a distribution of goods and services is just, provided it results from uncoerced market exchanges which respect existing property rights – assuming these were arrived at fairly. The point about this "entitlement" theory, which has been popularised by Nozick, is that the relative proportion of income and wealth in the hands of the rich is irrelevant: 1 per cent of the population could justly own 99 per cent of everything.

The left-wing view is that *social justice requires a fair* distribution of goods, services and other social privilegee. Those who are unusually productive (or lucky) must therefore surrender a large portion of their spoils. One version of this theory has been popularised by John Rawls, the US philosopher. He argues that social and economic inequalities are justified only if they can be shown to improve the absolute living standards of the worst-off groups in society.

If you believe the distributive theory of justice makee sense, yon should count yourself as potentially left-of-centre, regardless of your admiration for markets. The intensity of your socialist conviction is best gauged by the amount of distributive injustice you are prepared to tolerate. My guess is that the east Europeans will remain better socialists than most of ne in the West for many decades to come.

LETTERS

Soviet perspective on 'new Marshall Plan'

From Mr Sergei Gorbunov.

Sir, Stephen Fidler's article "A new Marshall Plan for eastern Europe" (December 8) raises a number of interesting points on the question of western assistance to eastern European countries. Though the Soviet Union does not figure in his analysis, I would like to make some observations from a Soviet perspective.

The reform process in the Soviet Union is having a direct effect on global economics and politics. There is, therefore, a growing interest in the ultimate sncess of perestroika and in maintaining maximum stability during the transition from the command economy to a market economy.

Conditions in the Soviet market – including inflation, surplus money and economic imbalances – require quick action in parallel with long-term measures to bring about a recovery. That recovery is, I believe, only possible with the help of increased imports of consumer goods.

Restoring market equilibrium would not cost a great deal at the current ratio between domestic and world prices. A maximum of $20-25bn would suffice, as each dollar spent on consumer goods imports may bring in eight to 10 or even more roubles at the official exchange rate of 0.62-0.65 roubles to the dollar. In a basically normal environment, this would be economically and socially the least costly way to financial recovery.

Highly profitable industries are badly in need of more investment, but the massive inputs needed for the purpose are not available. There is an urgent need to generate an inflow of resources from abroad to deal with social and economic challenges.

At the moment, the Soviet Union has big problems obtaining medium- and long-term loans from western banks and in *placing* securities. The result is problems securing new credit facilities and refinancing the existing debt of $40bn. The western business community does not see meaningful guarantees of loan repayment.

Such guarantees could be backed by a part of the gold equivalent of the bank loans received or of the securities issued. Although this may be *useful in the short term,* the problem of credit worthiness can only be resolved by enhancing economic interaction – opening up the Soviet economy to the outside world. The need now is to start a serious dialogue on the basic political and organisational issues relating to Soviet participation in the world economy, and to establish a favourable political environment for international economic harmonisation.

Over the past 40 years, many nations have advanced from subsistence economies to modern economic practices. The Soviet Union's economic reform programme's task is to normalise the market and to bring an improved credit, monetary and financial system to bear on the economy as a whole.

Sergei Gorbunov,
Department of Foreign Economic Policy,
USA and Canada Institute,
2/3 Khlebnyi Pereulok,
Moscow

European Community relations with the US

From six Members of the European Parliament.

Sir, The far-reaching call by US Secretary of State James Baker for a number of strengthened international and consultative links between the European Community and the US in Berlin indicates a substantial shift in American foreign policy.

It is an initiative which Europeans should welcome warmly and support firmly in their own interests.

As the map of Europe changes, the American military presence *there, based on* conventional weapons reduction agreements between Nato and the Warsaw Pact, will decline.

A strengthened US-EC dialogue will provide an excellent means whereby the US will continue to be a partner in the emerging concept of a Common European Home. This home could be a *pied à terre* from which the US could help influence events on the European continent. Such a role will be further strengthened at a different level by a US presence in an enhanced Helsinki Conference on Security and Co-operation in Europe process.

As we continue progressing rapidly towards the creation of the Single European Market by 1992, the nature of the EC will *alter as will its competences.* It will become a more political entity, particularly in developing relationships with eastern Europe.

It makes good sense to begin now to shape new US-EC links over this period, to adjust to the growing weight of the EC in the transatlantic relationship.

While member countries will still have their own special relationship with the US, it is essential that the EC should give its full support to this courageous initiative. President Delors must take the next step in developing this transatlantic dialogue during his meetings with Secretary Baker in Brussels.

Elmar Brok,
Ethymios Christodoulou,
James Elles,
Luis Planas,
Gijs de Vries,
Michael Welsh,
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European Parliament,
97-113 rue Belliard,
Brussels

Like card, like book

From Mr Michael R. Nathan.

Sir, If the net book agreement were to be abolished, the most likely result would be an increase in book prices, not a reduction in them. This is what happened to greeting cards.

Last weekend, I came across greeting cards for sale at a price of £1.50, whereas the recommended retail price was 52p. I found others for sale at £2.50 when the recommended retail price was 95p.

These figures speak for themselves.

Michael R. Nathan,
Baker Tilly Chartered Accountants,
Commonwealth House,
1 New Oxford Street, WC1

Winds carry no passports

From Mr Andrew Warren.

Sir, Your oil industry correspondent, Steven Butler, has found a "consensus" which enables him to begin his "Laying a bet against OPEC" (December 4) with the claim that "demand for crude oil will grow strongly in the 1990s."

Is this consensus unaware of the widespread international concern about the impact that the increasing burning of fossil fuels like oil is having upon our climate? Even before the Inter-Governmental Panel on Climate Change reports next autumn, already the UK Government has committed us to stabilising emissions of carbon dioxide, the main gas responsible for the "greenhouse effect."

Other EC governments are keen to set up formal agreements to reduce emissions by 20 per cent by the end of the decade – the minimum most climatologists now recommend.

Mr Butler rightly acknowledges that in the short run, tighter emission controls may actually *increase consumption* of oil.

But he concludes that even if the world's governments "eventually" become serious about controlling carbon dioxide *emissions* to forestall global warming, any restraint in developed countries will automatically be balanced by extra demand from the developing world.

It is in none of our interests to permit this to happen – certainly not to gloss over concerns about global warming. As the UK ambassador to the United Nations, Sir Crispin Tickell, warned the UN assembly earlier this year: "The atmosphere knows no boundaries, and the winds carry no passports."

This is an international problem: we inhabit a single planet. And business-as-usual is no longer the order of the day, even for the oil industry.

Andrew Warren,
Association for the Conservation of Energy,
9 Sherlock Mews, W1

FINANCIAL TIMES
Friday December 15 1989

EUROPEAN COURT BLOW TO BRITISH FISHING INDUSTRY

Spanish trawlers free to fish UK quotas

By Tim Dickson in Brussels

A NEW BLOW to Britain's hard pressed fishing fleet was delivered yesterday when the European Court of Justice outlawed one of the UK's key defences against Spanish "poachers."

The finely balanced judgement in what was an important test case is not thought likely to increase significantly the number of Spanish-owned vessels currently registered as British boats, and hence eligible to use up UK quotas. But coming at a time when English and Scottish fishermen face cuts of up to 60 per cent in their North Sea catches next year, it is bound to add to the overwhelming feeling of crisis in the industry.

The verdict yesterday related to complaints brought by two companies against UK government rules introduced in 1986 to curb the practice of "quota hopping." It should be distinguished from the quite separate order from the Luxembourg judges in October requiring Britain to suspend a section of the 1988 Merchant Shipping Act. The order said that boats on a new UK fishing vessel register should be at least 75 per cent owned by British nationals.

That apparently dramatic gesture has since been seen as having relatively little practical effect and the instant reaction of experts last night was that the same may happen with the latest judgment.

The most disappointing part for Britain is the court's decision that a member state may not require 75 per cent of a vessel's crew to be resident in that state (a British condition which had actually been upheld at an earlier stage in the legal process). On the other hand, the judges endorsed a rule that the captain of a vessel and all of his crew should pay social security contributions in the country where the boat is registered, while they also upheld Britain's insistence that there should be a "real economic link" with the UK fishing industry. That link should be established "between the vessel's fishing operations and the populations dependent on fisheries and related industries."

Equally, the court said, a member state can insist that the boat operates from one of its own national ports – a condition which would have to be satisfied on the basis of a percentage of landings or a certain number of visits.

James Buxton in Edinburgh writes: Mr George Sutherland, chairman of the Scottish White Fish Producers' Association, said yesterday that the European court ruling was a bad blow and would lead to more fishermen looking for "fish that aren't there."

The ruling adds to Scottish fishermen's fears for the survival of their industry following the European Commission's proposal for sharp cuts in their catch quotas.

Senior Conservative politician Mr Kenneth Warren attacked European chiefs over the handling of quota talks and urged ministers to stiffen their backing for Britain's fishermen.

He said: "I'm concerned that the Government should also be seen to be more forthcoming in supporting its own industry at times of crisis."

Editorial comment, Page 18

Fowler warns UK unemployment may rise

By Simon Holberton, Economics Staff, in London

MR NORMAN FOWLER, Britain's Employment Secretary, yesterday delivered a thinly veiled warning that unemployment would rise next year unless there was greater moderation in pay demands.

He also highlighted Britain's deteriorating international competitiveness, asserting that the UK's unit wage costs were out of line with its main overseas competitors.

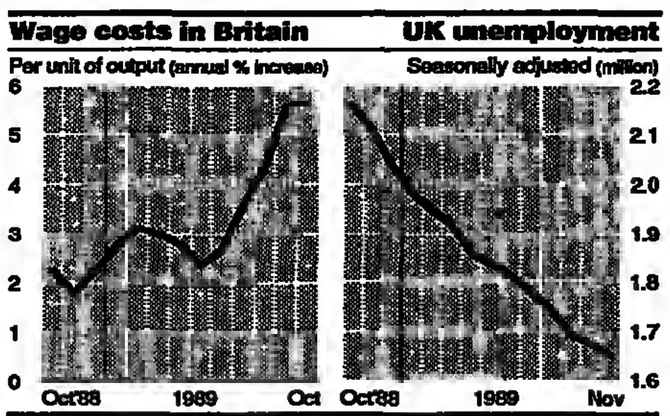
"Moderation in pay remains a key requirement if we are to remain competitive in world markets and our next year's employment prospects at risk," he said.

Employment Department figures showed that Britain's wage and salary costs are rising at a rate three times that of the US and well ahead of France, West Germany and Japan.

Mr Fowler's warning came as his department released figures which showed that the number of people claiming unemployment benefit, adjusted for seasonal variations, fell by 25,000 last month to 1.65m.

This was the 40th consecutive fall in unemployment and took the jobless total to its lowest level since October 1980. Last month's fall, which was greater than UK financial markets had expected, unsettled some London analysts.

They said the labour market, which is an indicator that lags developments in the economy, still appears to be fuelling UK inflation. Average earnings across the economy rose and labour costs remained on an upward trend.



November figures for retail price inflation will be released this morning and analysts expect the annual rate to rise to 7.9 per cent, from 7.3 per cent in October. But it could hit 8 per cent, they said.

In the year to October there was a 9¼ per cent growth in average earnings in Britain, up from 9 per cent in the year to September.

In manufacturing, earnings were 9 per cent higher than the preceding October, and in services they were also 9 per cent up on a year earlier.

Higher earnings combined with lower productivity to push unit wage costs up 5.7 per cent in three months to October compared with a year ago. This was the highest growth rate since June 1986 and was double the growth rate of May this year.

Employment Department officials said earnings growth in October was boosted by British Telecom and local authority manual workers' settlements, together with a large rise in back pay. Analysts expect settlements under negotiation in the manufacturing industries to maintain upward pressure on earnings.

Mr John Shepperd, economist at Warburg Securities, said the tight labour market was generating upward pressure on wage costs. There may have to be a bigger slowdown in output and rise in unemployment than first thought for wage rises to subside.

However, Mr Richard Jeffrey, economist at Hoare Govett, said yesterday's figures indicated that industry was prepared to keep wage costs under control by cutting employment levels. In October manufacturing employment fell by 9,000 to 5.09m and vacancies at job centres were at a near three year low, indicating a cooling in the demand for labour.

Mr Tony Blair, Labour's employment spokesman, said there was a real risk that the UK would shortly face a rise in unemployment. "The need now to invest in training and skills and build up our industrial base has never been more urgent," he said.

The employment figures coincided with others showing that the Government's policy of high interest had depressed growth in output. In the three months to October, compared with the three months to July, there was no growth in manufacturing output, the Central Statistical Office said.

The CSO also released balance of payments figures showing the July to September current account deficit was £700m ($1.1bn) higher than previously thought.

UK appoints new deputy at Bank of England, Page 7.

US rebuffs criticism of trade policy by Gatt

By William Dullforce in Geneva

THE US yesterday vigorously challenged the secretariat of the General Agreement on Tariffs and Trade following criticism of its trade policy. Mr Rufus Yerxa, deputy US trade representative, argued that the Gatt secretariat had exaggerated the impact of some high customs duties and anti-dumping measures.

He contested the secretariat's claim that the US semiconductor and car industries enjoyed "relatively high levels of protection."

The council was debating the Gatt secretariat's first report on the world's biggest trading nation under the new Trade Policy Review Mechanism (TPRM), launched by world trade ministers last April.

Doubts about the real thrust of US trade policy had been revived by the secretariat's analysis of the new US Omnibus Trade Act, which compels the US administration to take retaliatory action against countries judged to be trading unfairly.

Mr Roderick Abbott, the European Community's director for Gatt affairs, said the report had reminded everyone that US commitment to Gatt principles was already ambivalent when Gatt was being founded in 1947. In 1988, the policy rhetoric the word "liberalisation" was beginning to take on a more doubtful meaning, Mr Abbott said. Other countries would have their views about whether the renewal of voluntary restraint agreements on steel was liberalisation.

The new agreements between the US and its main Western trading partners, triumphantly announced in Washington on Wednesday, allots exporters higher US import quotas in return for commitments to phase out their domestic steel subsidies.

Mr Yerxa said the new steel agreements were diffsrent, because they would be in place for 2½ years and would not be renewed. But remarks by other Gatt delegates indicate that the agreements have become a litmus test of US trade policy.

Rebutting criticism raised in the secretariat's report, Mr Yerxa said that the US tariff structure was among the most liberal in the world with an overall average level below 4 per cent. Relatively high duties were imposed on textiles, clothing, machine tools and some chemicals but the average rate on farm products was 3.3 per cent against a range of between 6.5 and 10 per cent for other developed countries.

Anti-dumping actions, which the Gatt secretariat said were on the increase in the US, had affected only two-tenths of 1 per cent of all imports during the first half of 1989. The average level of anti-dumping duty had been 1.84 per cent.

US tariffs on car imports were 2.5 per cent compared with duties averaging between 9 and 10 per cent in Canada, the European Community and *Switzerland*.

The single biggest category of imports in the US was automobiles.

W Germany sets target to hold inflation

By Andrew Fisher in Frankfurt

WEST GERMANY's central bank, the Bundesbank, yesterday set a money supply target for 1990 that made clear its determination to hold down domestic inflation, while also stressing price stability as its main priority in the development of a future European monetary system (EMS).

Sounding a cautious note on next year's pay talks, Mr Karl Otto Pöhl, president of the Bundesbank, said employers and trade unions also carried considerable responsibility for controlling inflation, more than in previous years. Nor should public sector spending be increased sharply as a result of the higher tax revenues due to strong economic growth.

Announcing a target of between 4 and 5 per cent for growth in the broad M3 aggregate in 1990, Mr Pöhl, said: "We intend to keep the monetary cloak narrow enough to secure further price stability." For the first time in three years, money supply expansion had been kept within the 1989 target, for which the Bundesbank set a level of around 5 per cent.

For next year, it has fixed tha same basic target, but expressed it as a range between 4 and 6 per cent to take account of "sxisting uncertainties".

Mr Pöhl repeated his view that progress towards European monetary union (EMU) should be cautious, building on the experience of the initial stage. But he called the agreement at the EC summit in Strasbourg to push on with negotiations for full union in a year's time "a political decision we have to respect as a central bank".

However, Germany needed and would have a clear position in these negotiations - "*price stability* as the *first* priority is the German position".

The Bundesbank said it would continue its policy of maintaining the D-Mark's purchasing power, while contributing to further ateady growth. Its 1990 money supply target is based on rises of 2 per cent in prices, 2.5 per cent in production potential, although ths inflow of East German workers should augment this, as well as a slowdown in the velocity of money in circulation.

He welcomed the renewed strength of the D-Mark against the dollar, the yen and European currencies as important in the fight against inflation. But while stating that realignments in the EMS should not be "taboo" - there had not been one for thres years - hs accepted that politically, this alternative was not available "for the foreseeable future".

FRENCH consumer prices rose by 0.2 per cent last month, leaving the annual rate of inflation stable at 3.6 per cent, according to preliminary estimates from the national statistical office Insee.

The Finance Ministry said that the November price rise marked a deceleration in French inflation, after the 0.4 per cent rise in October, and left France's inflation rate 0.8 percentage points lower than the average of its eight main trading partners, estimated at 4.4 per cent.

With inflation slowing more markedly in West Germany last month, however, the gap between the French and West German inflation rates widened to 0.6 percentage points.

The latest official government forecast for the full year, contained in the 1990 budget, projects an inflation rate of 3.2 per cent, against 1988's 3.1 per cent, with a deceleration to 2.5 per cent in 1990.

Ryzhkov manages to upset everyone

Continued from Page 1

ning apparatns with a financial market: banks deciding investments on commercial grounds, and all forms of financial instruments, shares and bonds, being traded on a stock exchange.

The trauma of price reform would be cushioned by a comprehensive social security system, with decent benefits, recognising and encouraging the growth of an efficient labour market.

Mr Maslyukov is a much more traditional thinker, although also apparently a pragmatist. As head of Gosplan, he inevitably represents an empire which is seeing its entire raison d'être under threat. His instincts remain pro-central planning.

Mr Ryzhkov seems to have decided that he still likes Dr Abalkin's vision of the future. But he is faced with an acute economic crisis, with growing shortages in the economy, an enormous excess of valueless currency, a chronic state budget deficit, and growing industrial unrest. The only way he knows how to deal with it is to rely on Mr Maslyukov. Hence the decision to attempt a massive switch of resources into consumer goods.

Gosplan has come up with the figures, and they are extraordinarily ambitious. They suggest excess demand for consumer goods above the available supply of Rs150bn ($236.85bn).

In 1990 alone, the output of consumer goods is supposed to rise by Rs66bn, or some 18 per cent. Then again in the next two years, by 1992, it is supposed to go up by as much as a further Rs82bn, to a total of Rs515bn. The result will be drastic cuts in investment spending in most other areas.

Meanwhile, price reform is delayed a bit more: higher prices for agriculture will be postponed until 1991 from next year. No change in retail prices will come before 1992.

Yet Mr Ryzhkov may have done himself an injustice. For the document presented to the deputies still contains most of the fundamental commitments Dr Abalkin wants: the financial market will still be central, state monopolies abandoned, or controlled by anti-monopoly law, and state property will be broken up into a multiplicity of property forms.

What worries the reformers is this: even if that is the vision, will they ever get there as long as central planning is being strengthened to deal with the present crisis?

WORLD WEATHER

Hopes rise for conventional arms cuts

Continued from Page 1

which has been the main vehicle for implementing the Helsinki agreement.

They will emphasise, however, that such a meeting will have to be carefully prepared if it is to produce worthwhile results.

Mr James Baker, the US Secretary of State, stressed in his policy speech in Berlin on Tuesday that he saw the CSCE as the best forum for developing East-West relations following the liberalisation of the East European regimes and economies.

Mr Baker said that the CSCE had a special role to play notably in the field of security by reducing further the risk of war, but in helping to turn the East European economies into free competitive markets.

All the Nato ministers yesterday emphasised that, while the democratic changes in Eastern Europe had to be supported by the West, nothing should be done to destabilise Europe politically.

Mr Douglas Hurd, the British Foreign Secretary, said a clear distinction had to be made between those aspects of the Western alliance which could undergo change and those *which had* to be maintained. It was particularly important that Nato should retain a robust defencs capability.

Mr Roland Dumas, the French Foreign Minister, while emphasizing the need for the West to encourage the political and economic changes in Eastern Europe, did not think that the Atlantic Alliance was necessarily the right institution to deal with all these matters. The European Community had an important role to play in promoting east-west relations.

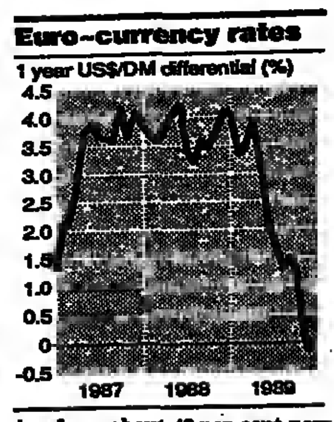
THE LEX COLUMN

Not the season for goodwill

Without careful handling, the issue of accounting for goodwill could be headed for confrontation. The UK Accounting Standards Committee seems poised to agree on a formula which looks the least popular conceivahle among producers of acconnts. All purchased goodwill must be included on the balance sheet and written off over 20 years. Brand valuations are to be banned; those already in place must be amortised. If in force last year, these rules would have reduced Guinness's earnings by some 13 per cent, RHM's by 21 per cent and WPP's by more than 26 per cent.

To the investor, at least, this is in one sense unimportant; the share prices would presumably stay the same. But the p/e ratios would rise accordingly, thereby posing a basic problem of comparability. Those companies which kept making big acquisitions would rise to premium ratings, with those acquiring service companies rising higher than the rest. If companies *identified* amortised goodwill separately, analysts could add it back. But from the market's viewpoint, it is an odd kind of improvement which has to be adjusted back out of existence.

But assuming big mergers are here to stay – and, perhaps more important, that the UK continnes to convert from a manufacturing to a service economy – the basic problem will get worse. The London Business School calculates that, between 1976 and 1987 in the UK, goodwill as a proportion of acquiring companies' net worth rose from an average of 1 per cent to 44 per cent. But in the US, merger activity has been rising at a similar rate and US companies and investors, who have been used to amortising goodwill for many years, seem to rub along somehow.



BTR Nylex

After all BTR's unsubtle hints about North America as its next hunting ground, with or without Mr Kravis, it is faintly disconcerting to see its Australian offshoot BTR Nylex raising A$660m of new ammunition. True, the message from BTR is that unlike the A$2.4bn Nylex raised in 1988, the latest dollop of convertible shares and loan notes is not tied to specific bid plans.

None the less, although the cash will come in too late to benefit Nylex's 1989 balance sheet, it could cut its net gearing from about 40 per cent now to 6 per cent or so in early 1990. Hence Nylex would have no trouble staging a re-run of last January's takeover of the Feltrax building products and carpets group, if not 1988's A$1.7bn purchase of ACI. Whatever BTR has been telling people in London about US expansion, the steer from Nylex itself so far in 1989 has apparently been that its gunsights are trained chiefly on packaging and paper in the Pacific Basin. At a stretch, that could mean California, of course. But East Asia looks rather more likely, given the success Nylex has had since 1986 in Taiwan in particular.

Not that BTR's shareholders should be too fussed by ths fact that BTR itself will be providing A$450m of Nylex's new money. Nylex has outperformed Australia's All Ordinary Index by 25 per cent since Feltrax, a sign of the value the local market thinks Nylex draws out of its acquisitions. Paradoxically, although BTR will havs to borrow the A$450m, the deal will actually end up reducing its own net gearing by 5 or 6 percentage points. But perhaps that just proves the wisdom of what Sir Owen Green is always telling us about the irrelevance of crude balance sheet ratios.

Foreign exchanges

There was nothing in yesterday's economic news out of West Germany and the UK to disrupt the uneasy calm which has begun to settle on the foreign exchange markets in the run-up to the holiday season. The D-Mark's effective exchange rate is bubbling along at an all-time high while poor old sterling sinks ever closer to its record low set just over three years ago. There is a certain seductive attraction about the idea that, since sterling has fallen so far and so fast, it must be due for a bounce; there are still plenty of D-Mark bulls around. But predictions of where these two currencies go next are more than usually suspect.

Admittedly, the collapse in interest rats differentials between the US and West Germany has been a powerful factor behind the recent D-Mark rally. But the higher the currency climbs, the less urgency there is for West Germany to raise its interest rates to curb an inflation rate which is decelerating. If the unions' surprisingly militant noises show signs of being translated into double digit wage awards, the authorities will have to tighten further. But the latest money supply targets are more flexible than before; the political risks for the D-Mark of sudden and less favourable developments in Eastern Europe seem to have been forgotten for the moment.

A similar sort of complacency seems to be affecting sterling. External factors no longer seem the threat they were only a few weeks ago, in spite of yesterday's disappointing figures for invisibles. However, earnings are growing considerably faster than inflation and unemployment is still falling. By the time the brakes really begin to bite, the exchange rate could well be even lower. Interest rate differentials may not then look so appealing to the foreign investors who are presently being tempted back into sterling.

UK equities

Yesterday's drop in UK equities may have been chiefly due to Wall Street but there were worrying signs nearer home. A total of 32 UK companies published results yesterday. Of *those, 14 produced lower earnings*, four went into loss and six cut or passed their dividend. None of the companies was large, but the range was comprehensive. The dividend-cutters included a housebuilder, a packaging manufacturer, a secondary bank, an advertising agency, an electroplating company and a stockbroker.

Even among companies not producing results, price falls of ever 10 per cent were seen at a telephone equipment distributor and the UK's biggest manufacturer of beds. It is no news that smaller companies are under-performing these days, or indeed that the UK economy is in a mess. But the case for investing in big, solid overseas earners looks stronger by the day.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 15 1989

INSIDE

Bedfellows fall out at Lowndes Queensway

Lowndes Queensway, the heavily-borrowed furniture retailer which is in refinancing talks with its bankers, ran into fresh controversy yesterday. Silentnight, which supplies 80 per cent of its bed ranges, said it would stop taking orders from Lowndes Queensway after next February. The beds company also warned it faced a sharp profits fall in the current year. Page 28

Vancouver cleans up its image

The Vancouver Stock Exchange has long had a reputation for scandal. And this image was hardly dispelled by the publication in May by Forbes magazine of a derogatory article proclaiming the west Canadian city the "scam capital of the world". But since then things have looked up. The exchange was given a lease of life in August by torrential volume triggered by promising results from a gold exploration project in British Columbia. And it may even be granted recognition by the UK's Securities and Investments Board. Page 46

Ferranti affair spreads its net

Yet another victim of the Ferranti affair: Smith New Court, the City securities firm, yesterday announced a substantial loss from a holding in Ferranti shares, which plunged when an alleged fraud came to light. However, Smith said its trading performance had otherwise been sound in the six months to late October. Page 31

So far so good

UK property development group Speyhawk took advantage of the recent strength of the market to lift net assets by 36 per cent and pre-tax profits by 34 per cent. But chairman Trevor Osborne (left) noted that high interest rates would inevitably reduce business activity and might translate to a lowering of tenant demand in some areas. Paul Cheeseright reports. Page 30

Not all that it seems

Interpublic looks like the model of a modern communications company. Yet in many ways the New York-based group is the opposite of everything such a company is expected to be. At a time when the stock markets have gawped at the adventures and misadventures of its noisier competitors, Interpublic has concentrated on more mundane matters, like tightening controls and strengthening its balance sheet. Alice Rawsthorn reports. Page 23

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Eurowarche	4339	+	24
Hoeltz	268	+	6	Paribas	692	+	14
Schering	795	+	7.5	Sanofi	1059	+	29
Falls				**Falls**			
BMW	524	–	8.5	BSN	743	–	12
Leifheit	860	–	15	Havas	1383	–	22
Porsche	790	–	17	**TOKYO (Yen)**			
Volkswagen	493.5	–	8.5	**Rises**			
NEW YORK ($)				Dowa Mining	1230	+	200
Falls				Ricoh Elect.	1100	+	108
Apple Comp.	35	–	1	Teikoku Hume	2800	+	260
Dayton Hudson	80 3/8	–	1 1/4	Tokai Kisen	1450	+	140
Gen. Motors	49 1/2	–	1 1/4	**Falls**			
IBM	95 1/8	–	5/8	Maruishi Cycle	1200	–	160
Penney (J.C.)	71 1/4	–	7/8	Nakabishi	1510	–	100
UAL	165 1/2	–	3 1/4				
PARIS (FFr)							
Rises							
Chargeurs	1352	+	42				

New York prices at 12.30.

LONDON (Pence)							
Rises				**Falls**			
Bradstock Grp.	237	+	10	BP	331	–	10
Brit. Aero	576	+	4	Glaxo	807	–	15
Burmah	685	+	9	Hawker Sidd	587	–	4
Carlton Comm.	850	+	11	ICI	1130	–	7
Eurotunnel	568	+	27	Lucas Inds.	632	–	11
Granada	315	+	5	Nat. Telecom	45	–	9
Heath (C.E)	528	+	8	Reuters	1044	–	44
Morgan Crucible	315	+	7	Shell Trans	478	–	15
Prov. Financial	372	+	11	Std.Chartered	558	–	10
Runciman (W.)	475	+	50	Yellowhammer	83	–	58
Western Major	610	+	16				

Swissair and SIA in co-operation pact

By John Wicks in Zurich and Paul Betts in London

SWISSAIR yesterday signed a long-term co-operation pact with Singapore Airlines (SIA) which is expected to lead to an exchange of equity between the two airlines.

The two companies said they had agreed to work towards an exchange of up to 5 per cent of each other's capital within the next 12 months in order to cement their wide-ranging co-operation deal.

The Swissair-SIA alliance is the latest in a growing series of major co-operation agreements between international airlines to strengthen their global operations in an increasingly liberalised international airline market.

However, the Swissair-SIA deal is particularly significant because it is expected to form the basis of a broader alliance between the two airlines and Delta Airlines of the US.

Indeed, SIA described the deal yesterday as an important step in creating a "trilateral alliance" to establish a global aviation system.

Both Swissair and SIA have already reached independent co-operation and share-swapping deals with Delta in the past year.

In both cases, the equity deals involve a 5 per cent share swap.

Swissair also announced last September plans to co-operate with SAS, the Scandinavian airline.

This, too, is intended to lead to an exchange of between 5 per cent and 10 per cent of shares.

The Swiss company also holds 8 per cent of Austrian Airlines and it is planned to increase this stake further.

Mr Lim Chin Beng, SIA's deputy chairman, said the alliance between SIA, Swissair and Delta would result in a combined network covering all continents, with a total of 237 destinations in 64 countries.

While Swissair and Delta are working to develop North Atlantic traffic, SIA will co-operate with Swissair on routes between Europe and South-East Asia and with Delta on trans-Pacific routes.

Although Swissair is working to expand links with SAS in Europe and elsewhere, Mr Lim said there would be no direct co-operation agreement between SIA and SAS and consequently no corresponding share swap.

Mr Armin Baltensweiler, chairman of Swissair, said his airline was holding informal talks with Delta on possible co-operation in the hotel sector.

The Nestlé group recently announced it was giving up its 50 per cent stake in the Swissotel joint venture with Swissair.

The SIA-Swissair agreement envisages co-operation in a wide range of marketing sectors.

Among the areas are daily services between Zurich and Singapore by both carriers by 1993, sharing of airport terminals and check-in facilities, the joint purchasing of goods and services, engineering, cargo co-operation and special through fares.

Matching the suitors

Principal areas of Ferranti's defence business and corresponding activities of potential bidders

	Naval command systems and fire control	Sonar and anti-submarine warfare	Airborne radar	Avionics	Electro-optics	Missile systems
Thomson-CSF	●	●	●	●	●	●
GEC-Marconi	●	●	●	●	●	●
Dowty	●	●				
Smiths Industries		●		●	●	
Westinghouse	●	●	●	●	●	●

Where attack is the best form of defence

David White examines possible bidders for Ferranti in the wake of Daimler's withdrawal from the contest

One more option for the future of Ferranti International Signal, the financially crippled electronics group, vanished this week with the withdrawal of West Germany's Daimler-Benz from the bidding.

Now the question for Europe's rapidly shifting defence industry is not merely *who* might take Ferranti over, but *why*.

It is becoming clear the companies cited as potential bidders, or partners in bids, are not approaching Ferranti with a view to diversification. Instead, the motives would be to strengthen their grip in defence electronics, where they are already dug in.

Whether they plan to exploit Ferranti's technology in its areas of expertise, or to narrow competition in the sector, is open to question.

Interest focuses on avionics and airborne radar – where Ferranti's future is now at stake in a protracted tussle for the European Fighter Aircraft (EFA) contract, worth more than £1bn ($1.59bn). The emphasis on concentration rather than opportunities for branching out is a reflection of the mood of the defence industry. It is bracing itself for a period of tight national budgets and increasingly tough competition in which weaker companies risk being squeezed out.

None of the UK candidates is targeting the whole of Ferranti, because none has business strengths coinciding with the full range of Ferranti's activity. The exception would be GEC-Marconi, the dominant force in British military electronics. However, a full takeover may be barred on competition grounds.

The Ministry of Defence is now considering two previously unpalatable outcomes. These are a break-up of Ferranti among different buyers, and takeover by a foreign company such as Thomson-CSF of France.

Since Thomson-CSF is majority-owned by the French state, this would clearly be politically awkward for the British Government. How would it justify nationalisation by a foreign power, while proclaiming it abhors nationalisation?

Having realised this, Thomson first studied a joint bid with British Aerospace. BAe has now pulled out. Thomson, still interested, is reviewing its options. MoD officials say an outright Thomson takeover might be a last choice, but not unimaginable.

Thomson has set out to occupy the top world ranking in selected sectors. In flight electronics a new joint venture, Sextant Avionique, pooling Thomson-CSF's interests with those of its fellow French state-controlled company Aérospatiale, ranks at the top of the European league.

The addition of Ferranti would create overwhelming European domination both in this field and in military airborne radar, especially if Ferranti takes the EFA contract. Thomson-CSF already has an agreement with Ferranti for the next-generation fighter aircraft radar, in an attempt to take on the awesome technological competition from the US.

Its purchase of the bulk of Philips' defence interests, due to take effect early next year, has buttressed its strength in several key areas, notably in shipboard combat systems. Although Ferranti has received setbacks in this sector, almost all Royal Navy command and control systems are Ferranti. The two companies have a full range of capabilities in sonar and coincide in other areas, too, including simulators and electro-optical, laser, aerial weapon and space systems.

Daimler-Benz, Ferranti's own favoured partner for a rescue, has now followed BAe in withdrawing from the list of contenders.

With defence activities re-arranged around its takeover of the aerospace company Messerschmitt-Bölkow-Blohm, Daimler-Benz also overlaps with Ferranti in aircraft systems. Its newly-renamed defence electronics arm Telefunken System Technik has been trying to build an independent capability in airborne radar. A licensee of Hughes of the US, it leads the rival bid to Ferranti's for the EFA nose radar. It is active, too, in cockpit displays and electronic warfare, while MBB shares some of Ferranti's interests in missiles and space systems.

The Daimler-Benz group also now has a range of naval activities through both Telefunken and MBB, some of which coincide with Ferranti's sphere of operation. However, one of the conditions imposed by the West German Government for the takeover of MBB was that Daimler should withdraw from the naval sector in West Germany within the next two years.

Among British companies, GEC-Marconi is a head-on competitor in airborne radar and avionics, with a naval side greatly strengthened by the absorption of former Plessey activities – notably sonar and other anti-submarine warfare systems. However, its approach to Ferranti is tempered by its experience of MoD intervention in the Plessey takeover. GEC and Siemens had to remodel their joint bid for Plessey to avoid competition difficulties and overcome further objections before gaining approval.

GEC is thought unlikely to enter that battle again by proposing to absorb Ferranti's naval activities. It would certainly be interested in airborne radar. Takeover of Ferranti's interests would create an effective UK monopoly, but it could be argued there are not enough fighter projects to maintain more than one major British company in the field. How much further GEC's appetite might go is uncertain. Of the missile business which Ferranti sought to build up through its fateful acquisition of International Signal and Control, it is uncertain how much will remain or how much of an asset it would be.

Even more clearly, Dowty and Smiths Industries are interested in parts of Ferranti, not the whole. Dowty's attention is on the naval side. Dowty-Sema, a joint venture with the Anglo-French Sema software and systems company, has ousted Ferranti from new submarine and frigate command systems, but Ferranti still has bigger business in this area. Dowty is also a competitor in sonar and other underwater systems.

Smiths Industries is the UK's leading avionics company, and at least three of Ferranti's aircraft-related activities would be of evident interest to it – cockpit displays, including "head-up" systems, in which they are competitors; navigation systems, in which they have developed different technologies; and product support. Smiths is also active in optronics, but in different areas from Ferranti's.

Among several large US companies cited as potential rescuers, Westinghouse is active across most of the range and a big force in airborne radar. It could also bring in a capability in torpedoes. The British MoD wants someone to compete in torpedo manufacture with GEC-Marconi. The US company, which has also had talks over Philips' British defence subsidiary MEL, has been looking for some time for a UK foothold.

Matra and GEC form space venture

By George Graham in Paris

MATRA, the French electronics group, is to merge its space activities with those of GEC Marconi of the UK to create a large European group in the field of satellite and space equipment.

The two companies yesterday signed an agreement to combine Matra Espace, a newly created subsidiary of the Matra group, with Marconi Space Systems in a company to be called Matra Marconi Espace. Matra will have 51 per cent of the new company, and GEC Marconi 49 per cent, but GEC will retain 1 per cent directly in Marconi Space Systems.

The two groups hope later to add to the joint venture the space activities of Daimler-Benz, the West German group which recently acquired the aerospace company MBB.

Mr Jean-Luc Lagardère, Matra's chairman, said yesterday that he hoped a similar co-operation agreement could be reached soon in the field of defence activities. This would probably involve Matra, GEC and Daimler exchanging shareholdings of around 20 per cent at the level of their defence electronics subsidiaries.

Mr Lagardère added that the Matra group would exceed its forecast of 50 per cent profits growth this year, from FFr339m ($57m) in 1988, and he hoped net profits would reach FFr600m.

The three groups have already formed a loose alliance, with Daimler and GEC, for example, both taking 5 per cent stakes in the Matra parent company. Daimler's takeover of MBB, which itself already had a number of partnerships with other European defence electronics companies, has complicated the task of extending this alliance, however.

The new space equipment company is expected to have sales of FFr3bn this year and around FFr3.6bn in 1990. Matra's space division will contribute nearly three quarters of the sales volume, but Mr Noel Forgeard, director in charge of Matra's defence and space activities, said that the profits of the two sides were more or less the same.

While Matra is specialised in the production of satellite bodies, Marconi's expertise is in the field of satellite payloads as well as earth stations. The two companies have already successfully bid together for the Hispasat and Locstar satellite contracts.

An extraordinary shareholders' meeting of Matra yesterday approved a reorganisation of the company's structures placing the defence and space activities in separate subsidiaries.

BTR Nylex in complex exercise to raise A$660m

By Clare Pearson in London

BTR NYLEX, the rapidly-expanding Australian industrial group, is carrying out a A$660m ($507m) capital-raising exercise partly funded by BTR, the UK conglomerate which owns 64 per cent of its shares.

The exercise was seen by analysts as signalling that Nylex wanted to prepare itself for another big acquisitive move. But its UK parent said no such deal was imminent.

Mr Christopher Bull, finance director, said: "The proceeds are not being earmarked for any particular project. Nylex wanted to take advantage of favourable market conditions."

The deals mark the third big fund-raising exercise by BTR Nylex, which enjoys an enthusiastic following on the Australian stock market, in about 18 months.

The complex fund-raising announced yesterday consists of a private placement with institutions of A$210m worth of convertible preference shares and the sale to BTR Australia, the wholly-owned subsidiary of BTR in the UK, of A$450m-worth of subordinated loan notes, which will count as part of Nylex's capital base.

BTR, which last week announced it was pursuing plans to float off its US activities, is not loosening its holding on Nylex through the outside issue of convertible preference shares.

Options to convert into ordinary shares in Nylex have been attached to the notes. This is so that any dilution of BTR's 64 per cent stake through investors converting the preference shares can be almost exactly offset.

Just over a year ago, Nylex raised A$630m in convertible loan notes, of which the parent company took up a substantial proportion, to part-fund its A$748m purchase of Feltrax, the New Zealand carpets, textiles and furniture producer.

This followed hard on the heels of a one-for-two rights issue launched in April raising A$756m to help it fund the purchase of ACI International, an Australian glass and packaging group.

BTR's plans to float its US operations are seen as a mark of keenness to repeat the success of the partial sale flotation of Nylex. Lex, Page 20

Allied-Lyons puts 43 hotels up for sale

By Philip Rawstorne in London

ALLIED-LYONS, the UK foods and drink group, is to put its Embassy Hotels chain up for sale. The 43 hotels are expected to fetch between £275m ($437m) and £300m.

The announcement yesterday raised speculation in the City about possible links between the move and Allied's bid for the £500m wines and spirits division of Whitbread, the UK brewer and retailer. Allied, which recently made an agreed £207m offer for the US Dunkin' Donuts chain, is considered to be one of the main contenders for the Whitbread operation along with Seagram, the US drinks group.

However, Mr Richard Martin, Allied's chief executive, said the Embassy disposal was the result of an extensive review of the company's strategy aimed at identifying those businesses which it intended to develop in the future. "We have concluded that Embassy, although an excellent business, does not meet this criterion."

As part of its preparations for the more competitive climate arising from the Monopolies and Mergers Commission inquiry into the UK brewing industry, Allied has already put up for sale its Normand motor distribution business. It is now considering the future of its J Lyons catering division.

Embassy's hotels, comprising some 3,200 bedrooms, include two in London, others in cities from Edinburgh to Leicester, and a number of country hotels with leisure facilities. Most are freehold properties.

Operating profits of the chain have been estimated at between £7m and £10m. Allied, which recently reported half-year pre-tax profits of £260m, up 13.5 per cent, is focusing on the expansion of its beer and retailing, and wines and spirits divisions.

So far it has given no indication what it intends to do to meet post-MMC legislation on the brewing industry. It may have to yield control over some 2,350 of its "tied" pubs. It has been concentrating for the past year on the development of its Hiram Walker-Allied Vintners wines and spirits operations, buying Chateau Latour from Pearson.

INTERNATIONAL COMPANIES AND FINANCE

Mérieux completes takeover of Connaught

By Robert Gibbens in Montreal

INSTITUT MERIEUX, the Rhône-Poulenc subsidiary, has moved swiftly to seal the takeover of Connaught BioSciences, Canada's largest biotech company.

Mérieux which says it holds 99.36 per cent of the stock won the protracted battle for Connaught after Switzerland's Ciba-Geigy dropped out.

Mr Jacques Martin, managing director of Mérieux, said the two companies would together become the world's largest vaccine-maker. They will have an annual research budget of C$80m (US$68.98m).

A committee will be set up immediately by both companies to rationalise research programmes.

Mérieux's US sales operations will be merged with Connaught's US arm, and Mérieux will help Connaught overcome production problems at its Toronto plant.

Mr Brian Mulroney, Canada's Prime Minister, weathered a storm of protest in the House of Commons in Ottawa on Wednesday, when opposition parties claimed the deal was "a sell-out to a foreign government." Rhône-Poulenc is indirectly controlled by the French Government.

Mérieux's C$37 a share bid valued Connaught at C$940m, though it already held well over 10 per cent of the stock. With 99.36 per cent of Connaught committed by expiry of its bid early on Thursday, it can now use Canadian law to force in the balance.

Connaught's management has supported the French company's offer since the first bid was made in mid-1988.

Mesa LP to suspend dividends

By Roderick Oram in New York

MESA Limited Partnership, the energy company controlled by Mr T. Boone Pickens, the Texas corporate raider, is to suspend common dividends because of insufficient cash flow from its natural gas business.

The last quarterly payment of 37.5 cents per common partnership unit will be made on February 15 although preferred units will continue to receive the same 37.5 cents dividend, the company said yesterday.

Mr Pickens had turned his main company into a limited partnership in December 1985 because of tax benefits the new structure gave shareholders.

"The partnership has permitted Mesa to achieve two important goals," Mr Pickens said. "First we have doubled our oil and gas reserves, and second we have distributed over $1bn to our owners without double taxation."

Mesa LP's original dividend of $2 per unit per year was based on the assumption of a natural gas price of around $3 per thousand cu ft (mcf).

Even though prices subsequently halved, Mr Pickens continued to pay dividends far exceeding Mesa's cash flow.

He generated funds by stock market raids on company's such as Boeing, by selling assets and by borrowing. At the end of September, Mesa had $1.44bn of long term debt and turned in a quarterly loss of $21.5m on revenues of $99.8m, against a net profit of $9.8m on $122.5m a year earlier.

He maintained Mesa LP's original dividend of $2 per year per common or preferred unit until this summer when he cut it to $1.50. Analysts had expected a further cut but not a halt.

Mr Pickens said dividends will resume when gas prices allow.

"This is a fairly positive move," said Mr David Bradshaw, a Paine Webber analyst. "It will help preserve the integrity of the company."

To further improve its finances, Mesa said it would spin off some of its royalty interests in the Hugoton gas field in Kansas into a separate trust.

It hopes to raise some $300m early next year in a public offering for the trust.

Proceeds will be used to pay-down some of Mesa's debt. Mesa has more than 1,000bn cu ft of long-life reserves in Hugoton, the largest natural gas field in the US.

Mr Pickens' moves come just as the natural gas market has begun to improve. Not only has supply and demand swung back into better balance, but prices are rising sharply with the early onset of unseasonably cold weather.

Spot prices have risen some 28 cents to $1.83 per mcf over the past three weeks, said Mr Paul Kuklinski, an analyst at Cowen & Co. He estimates Mesa will have realised an average price of only $1.75 per mcf this year, a level which generates minimal free cash flow.

But every 10 cents rise in price from that level will generate some $16.5m in cash flow equal to 20 cents per common unit.

He is forecasting the payout will total 75 cents next year and $1.50 in 1991.

"Mesa is now in a sound financial state. It has stemmed the erosion of its cash flow."

Gloom in US stores sector deepens

By Anatole Kaletsky in New York

REPORTS of deepening financial troubles at Campeau Corporation, as well as the announcement of bigger than expected losses by R.H. Macy, the big New York based department store chain, sent retailing shares moderately lower on Wall Street yesterday.

However, there was little impact on the junk bond market, where analysts said they had long since discounted the Campeau empire's possible collapse.

Macy said it lost $33.1m on sales of $1.71bn in its first fiscal quarter, ended October 28, compared with a loss of $19m on sales of $1.62bn a year earlier.

Mr Edward Finkelstein, the company's president, described the current retailing climate as "chaotic" and said he was "somewhat disappointed" by the quarter's results.

He attributed the retailing sector's poor profitability to the aggressive discounting by other store chains, most prominently Campeau.

Campeau, a Toronto-based real estate group which paid over $10bn in two highly leveraged takeovers for the Federated and Allied Department stores chains, said in a filing deposited with the Securities and Exchange Commission on Tuesday that its retailing units might be forced to seek bankruptcy protection next year in the event of a disappointing Christmas sales period.

The SEC filing made little impression on the junk bond market, where Allied and Federated securities had long been trading at or below bankruptcy levels.

Allied's most widely traded junk bonds, the 11½ per cent debentures redeemable in 1997, were quoted yesterday at 18 cents on the dollar, while Federated 16 per cent bonds were quoted at around 28 cents.

These prices were essentially unchanged since late November and there was little or no liquidity in the market, Mr Kingman Penniman, senior junk bond analyst at MCM Securities, said.

However, Campeau's common stock fell 25 per cent to $3 on the over the counter market in Toronto on Wednesday and prominent reports about Campeau's problems in the New York press served to unnerve the retailing sector further yesterday morning.

At lunchtime most speciality retailing shares were down significantly, against the background of a generally declining stockmarket. The Gap stores fell $¾ to $48¾ and Limited was $¾ down at $31⅝.

Macy's securities also suffered reverses in the junk bond market, but they continued to trade near par and remained relatively liquid.

Mr Penniman said bid prices had been reduced by about 2½ points as a result of the company's disappointing results and the concerns about the retailing sector in general. The Macy 14½ per cent bonds of 1998 were quoted at 97½ to 99¼, down from around 100 early this week.

Bell receivership 'now in doubt'

BOND Corporation has said it believes Australia's corporate watchdog, the National Companies and Securities Commission, does not want a receiver appointed to Bell Resources, Reuter reports.

In a statement Bond said: "The company believes, as a result of discussions held with the National Companies and Securities Commission today, that the commission has no present interest in seeking the appointment of a receiver to Bell Resources."

NCSC officials were not available for comment.

The NCSC has intervened in a deal between Bell Resources' 58 per cent owner, Bond Corporation Holdings and its 19.9 per cent owner, The Adelaide Steamship Company, on board seats in Bell.

Adsteam began an action seeking receivership last Friday, but abandoned it after striking the deal with Bond.

However, the Western Australian Supreme Court agreed to bring the case back to a court on the NCSC's application, a move Adsteam and Bell Resources have said they will appeal.

The court has adjourned the case indefinitely until a judge is free to hear it.

Bond said that NCSC concern about the board appointments had been linked with the receivership, producing confusion.

"That confusion has resulted in what the company understands to be the erroneous conclusion that the commission wishes to see the appointment of a receiver to Bell Resources," Bond added.

Mr John Spalvins, Adsteam managing director, has said his company launched its action as a way of forcing Bond to give his group seats on the Bell board.

It had expected if the court agreed that receivership was warranted it would also agree to a less drastic result – changing the composition of the board.

Bond sells St Moritz Hotel to FAI

BOND Corporation has agreed to sell the St Moritz Hotel in New York City to FAI Insurances of Australia for US$175m, Reuter reports.

FAI, the general insurance group, formerly run by the late Mr Larry Adler and now headed by his son Rodney, lent $155m of the $180m Bond paid for the 33-storey hotel when it bought it from US property developer Mr Donald Trump in late 1988.

Mr Rodney Adler, FAI chief executive, said in May that the hotel itself was security for the loan, and that it was valued at $210m.

Mr Adler said last week that FAI Insurance's exposure to Bond Corporation stood at about $527m – in fully secured and cross collaterised loans.

He added that unless Bond were forced into a fire sale of the assets backing the loans, including the St Moritz and coal assets, FAI should get most, if not all, of its money back.

FAI said its purchase of the St Moritz from Bond would cut its net exposure to the corporation by about $225m, to just above $300m.

Mr Adler said FAI was satisfied it was adequately secured on its Bond exposure.

He added: "[FAI] has reason to believe substantial reductions will continue to be made to the level of this indebtedness in the short term."

BHP Gold rises 29% to A$9.71m halfway

By Kenneth Gooding, Mining Correspondent

BHP GOLD, which has interests in Australia's largest gold mines, Boddington and Telfer, increased output in the half-year to November 30 enough to offset a substantial fall in the average price of gold.

Net profit rose by 29 per cent from A$7.529m (US$5.919m) in the first half of last year to A$9.71m.

Earnings per share increased from 80 cents to A$1, but the company, 55.7 per cent owned by Broken Hill Proprietary, Australia's largest company, is still not paying a dividend, prefering to allocate funds to exploration and development.

Gold production in the half-year increased by 30,886 troy ounces to 147,495 ounces. The company says that, in spite of production problems at the Telfer gold mine (30 per cent owned), it still expects to produce 300,000 ounces in the full year, a target set when BHP Gold was floated in 1987.

The average price received for gold in the half-year dropped from A$608 an ounce to A$532. The average production cost per ounce eased back from A$332 to A$328.

BHP Gold cut exploration spending in the six months from A$10.57m to A$8.6m, after a decision to reduce the budget to a more sustainable level in difficult economic times.

Total forward sales of gold were steadily increased in the August quarter, in line with current strategy to cover about a quarter of proved and probable reserves, or about 300,000 ounces, the company said.

- Consolidated Rail, the US railway company, is to reduce its management and administrative non-union workforce by 450, or about 12 per cent, which will result in a pretax charge against fourth quarter earnings of $70m to $80m when combined with other related restructuring expenses.

Evergo bids for 42% stake in Chinese Estates

EVERGO International Holdings, a key component in the Lau brothers financial empire, yesterday unveiled a bid of HK$2bn (US$256m) for the 42 per cent it does not already control of Chinese Estates Holdings.

The proposal, which offers a premium of 12 per cent above the value of Chinese Estate's closing share price on Wednesday, was presented as a move to consolidate Evergo's investments in real estate and China Entertainment and Land Investment Holdings, a stock trading and property group.

Evergo is offering HK$2.50 a share for the Chinese Estates property group, up from its previous close of HK$2.225.

One analyst expressed strong disappointment at the size of the offer. He estimated Chinese Estate was worth close to HK$5 a share, due to its holdings in three Hong Kong office centres and its controlling stake in China Entertainment and Land Investment.

Foreign creditors defer writing off Koor debt

By Hugh Carnegy in Jerusalem

THE FOREIGN creditors of Koor Industries, the struggling trade-union owned Israeli group, have deferred complying with demands by the company for a $125m write-off to rescue it from crippling debts. Instead they are proposing to formulate an alternative recovery plan.

A preliminary discussion of Koor's latest plight in London this week between the company's foreign and Israeli creditors showed a general desire not to allow the demise of Koor, Israel's biggest industrial group with interests from food to defence electronics.

But the group of foreign banks, led by Manufacturers Hanover of New York, rejected Koor's position that its obligations on its $950m debts – some 15 per cent of it held by the foreign banks – can only be met if foreign and Israeli banks share a write-off to bridge cash flow shortfalls over the next five years.

The foreign banks are to draw up their own recovery proposal to be submitted to their Israeli counterparts next month. It will demand that the Israeli Government and Koor's shareholder, the Histadrut trade union federation, play a part in straightening out the group, which has warned of heavy losses again this year.

It will also require holders of bonds issued by Koor to participate in any easing of debt terms as well as proposing tough cost cutting measures within the group.

Koor claims to have carried out swingeing improvements in efficiency since it first lurched into crisis 18 months ago, prompting a liquidation suit from Bankers Trust of New York.

But big losses in Tadiran, its main subsidiary which is up for sale, swept away an initial hard-won rescheduling agreement which included write-offs of $100m by the Israeli banks.

Holzmann plans rights issue to raise DM338m

By Haig Simonian in Frankfurt

PHILIPP HOLZMANN, the big West German builder, in which shares have risen sharply on construction euphoria following the political changes in the German Democratic Republic, is launching a one-for-four rights issue to raise DM338m ($194.25m).

The new shares will be issued next month at DM600 each, against a closing price in Frankfurt of DM1,084 yesterday, down from DM1,140 on Wednesday.

The company says it expects group revenue to reach around DM7.5bn this year, about DM1bn of which is attributable to new acquisitions. Revenue in 1988 amounted to DM5.8bn.

While not making any precise profits forecasts, Earnings this year are likely to be well ahead of the DM30.4m made before tax in 1988, it implied.

Holzmann last month bought a 40 per cent stake in Nord-France, a French builder, based in Paris. The company, which employs about 2,700, has been making losses in recent years, although it is now experiencing a recovery.

Holzmann said the new funds would be used to extend its presence in neighbouring European Community markets and to strengthen its role in higher margin sectors, such as energy and environmental technology, where it has been trying to become more active.

Holzmann aims to provide solutions to problems of waste management and ground clearance, it added. To this end, it is buying a 25.1 per cent share in Kurt Lissner/Umweltschutz Nord, which specialises in industrial waste management. The company has developed a leading role in using micro-biological techniques to tackle environmentally hazardous or polluted earth.

Meanwhile, Holzmann is selling 25.1 per cent of Steinmüller, an engineering company specialising in environmental technology, which it bought at the beginning of this year.

The buyer is VEW, the big German utility, with which Steinmn<dieresis>ller has a close business relationship. Holzmann will retain a 71.9 per cent holding in the group, it said.

Polygram offering nets Fl 1bn

By Laura Raun in Amsterdam

THE INTERNATIONAL offering of shares in Polygram, the recorded music subsidiary of the Dutch Philips group, raised more than Fl 1bn ($509.2m) yesterday.

The issue, which was priced on the low end of expectations, was snapped up more eagerly in Europe and Japan than in the US. About 6m shares were alloted to Japan, where Polygram was only the second public offering of a stock not listed in Tokyo. About 14m shares were allotted to the US, where the issue price was $16, and the remaining 12m to the rest of the world. In Amsterdam the share price firmed to about Fl 32.50 late yesterday, up Fl 1 from the issue price of Fl 31.50 announced earlier in the day.

Philips is selling 22m shares and Polygram is issuing 10m new ones.

Philips, which previously owned 100 per cent of Polygram, will be left with 80 per cent after the deal. The proceeds will go to each company, to be used largely for acquisitions.

Based on 1990 expected earnings the issue price meant a price-to-earnings ratio of 12-12½, which is considerably below industry levels of around 20.

● Philips yesterday announced a reorganisation of its telecommunications and data systems division, dividing it into communications systems and information systems. The move is designed, in part, to help Philips expand the two areas more rapidly through takeovers and joint ventures.

Degussa rises 18% to record

By Haig Simonian

PRE-TAX group profits at Degussa, the West German precious metals and chemicals concern, rose by almost 18 per cent to a record DM338m ($194.25m) in the year ended September 1989.

Group sales increased by 5.5 per cent to DM14.36bn, thanks largely to strong business abroad. While domestic turnover rose by just 1.8 per cent to DM3.69bn, sales outside Germany climbed to 6.9 per cent to DM10.66bn. Adjusted for changing precious metals prices, turnover rose by 11 per cent, the company said.

Degussa warned that capacity constraints and rising costs meant that it would be "no easy task to achieve further improvements to our results" in the current business year.

Despite failing prices for both gold and silver in D-Mark terms, sales at Degussa's precious metals sector increased by 2 per cent to DM8.55bn last year. Boosted by a considerable improvement in the second half of the year, earnings in tha metals business were ahead of the level in the previous financial year, the company said.

In chemicals, sales in 1988-89 rose by 12 per cent to DM4.60bn. Outstanding earnings were somewhat overshadowed by a rise in raw materials costs in the second half, though, Degussa said. Meanwhile, sales in pharmaceutical and dental products rose by 12 per cent to DM1.2bn, with an appreciable improvement in profitability.

Toledo succession triggers board row

By Tom Burns in Madrid

THE STRAINS OF the merger process which brought Banco de Bilbao and Banco de Vizcaya together last year to create Banco Bilbao Vizcaya (BBV), Spain's largest bank, surfaced yesterday when the BBV board met to appoint a successor to Mr Pedro Toledo, the former Vizcaya president, who died on Tuesday.

A statement issued by the former board members of Banco de Vizcaya, saying that Mr Alfredo Saenz, BBV's managing director, a one-time protégé of Mr Toledo, had been appointed co-chairman, was overruled houre later by BBV's press department saying no decision had been taken.

Yesterday lunchtime the BBV board met to review Mr Saenz's candidacy and remained locked in discussions late into the evening.

Mr Saenz, 45, was one of Mr Toledo's most trusted lieutenants and it was Mr Toledo himself who engineered his elevation last year to the post of managing director of the merged bank. At the time, the appointment sparked a battle among the Bilbao and the Vizcaya factions in BBV.

The confusion and irritation which has surrounded the succession of Mr Toledo has highlighted far more sharply the continuing susceptibilities and rivalries among the the top executives of the former two banks.

Under the guidelines of the merger agreement BBV is to have two co-chairman over a four year period – Mr Toledo presided over BBV together with Bilbao's former president Mr Jose Angel Sanchez Asiain – and the former boards of both Bilbao and Vizcaya are empowered during this period unilaterally to substitute the co-chairman representing them.

The Bilbao arm of the BBV, however, resented the speed with which the former Vizcaya directors moved to substitute Mr Toledo and they were angered, in particular, that Mr Sanchez Asiain first learnt about Mr Saenz's nomination in the statement issued by the former Vizcaya board.

Communicator with a quiet touch

Alice Rawsthorn listens to the hushed tones of Interpublic

From its headquarters high on the 44th floor of the Time and Life Building in Manhattan, Interpublic looks like the model of a modern communications company.

The walls are crammed with contemporary art. The earthy shades of a Sol Le Witt mural stand alongside the crushed car doors of a John Chamberlain sculpture. The windows look across the top of the Empire State Building, over to the East River on one side and the Hudson on the other.

Yet in many ways Interpublic is the opposite of everything a communications company is expected to be. At a time when the stock markets have gawped at the adventures and misadventures of its noisier competitors, like Saatchi & Saatchi of the UK, Interpublic has concentrated on more mundane matters, like tightening controls and strengthening its balance sheet.

From time to time it has played a part in the dramatic deals that have transformed international advertising in the 1980s. This year it staged an unsuccessful attempt to snatch Ogilvy & Mather away from the UK's WPP Group. But, by and large, it has stuck to smaller, strategic deals.

"We do make acquisitions, in fact we buy 17 or 18 businesses every year. It is just that we do not make a lot of noise about them," said Mr Philip Geier, the former advertising agency acconnt manager wbo now runs Interpublic as chairman and chief executive from New York.

Interpublic is established as one of the most powerful players in international advertising, with its wholly-owned networks, McCann-Erickson and Lintas Worldwide, both based in the US, and a minority holding in the Lowe Group of the UK. Last year it made net income of $60.12m on gross income of $1.91bn.

TOP INTERNATIONAL ADVERTISING AGENCIES IN 1988

	Gross income ($m)
1. Dentsu	1,229
2. Young & Rubicam	758
3. Saatchi & Saatchi	740
4. BSB Worldwide	690
5. McCann-Erickson*	657
6. FCB-Publicis	653
7. Ogilvy & Mather	635
8. BBDO Worldwide	586
9. J. Walter Thompson	559
10. Lintas Worldwide	538

*Owned by Interpublic

Source: Advertising Age

INTERPUBLIC

	Gross income ($m)	Earnings per share ($)
1984	644	1.51
1985	691	1.67
1986	814	1.87
1987	971	2.25
1988	1,192	2.72

Source: Interpublic

So far Interpublic has concentrated on strengthening its international networks by expanding – through start-ups and strategic acquisitions – into other countries. The networks are now more or less complete. The priority for the 1990s will be to diversify into new disciplines: such as programme sponsorship and sales promotion.

Interpublic was one of the pioneers of international advertising in the 1960s when it opened offices for McCann all over the world by following multinational advertisers – like Coca-Cola and Nestle – into new markets. McCann is the world's fifth largest advertising agency with billings of about $4.7bn. It is seen as extraordinarily efficient, but has never quite succeeded in dispelling its dull reputation.

Two years ago Interpublic strengthened its second network by merging SSCB:Lintas in New York with Campbell-Ewald in Detroit. Lintas is now the tenth biggest international agency with billings of $4bn.

Interpublic is still strengthening both networks. Last year Lintas acquired Muir Cornelius Moore, a New York sales promotion consultancy wbicb gave it an *entrée* to IBM. It has also bought Still Price Court Twivy D'Souza, a creative London agency, in an attempt to revitalise its UK agency.

This summer Interpublic relinquished its investment in Lowe Marschalk – the US agency it ran as a joint venture with the Lowe Group – in return for increasing its holding in the Lowe Group to 35.7 per cent.

The deal ensured that Marschalk came under the control of one central management team, wbile Interpublic increased its links with a UK company. Mr Geier sees this as essential because it is so much easier for UK agencies to expand internationally – thanks to liberal accountancy regulations, like the ability to write off goodwill on acquisitions against reserves – than for their US counterparts.

Interpublic is infamous in the advertising industry for imposing rigorous controls. The rigours of its finances have accentuated its image as an efficient, if unexciting force in the advertising industry, but they have also won the respect of Wall Street.

Ms Emma Hill, advertising analyst at Wertheim Schroder in New York, sees Interpublic as: "a very good company, stable and solid with tight controls." Yet the progress of its share price has been depressed by the investment community's disenchantment with the ad industry.

Saatchi's problems and the slowdown in US advertising have taken a toll on the shares of all the other agencies. Interpublic has been buying back its shares. Some analysts suspect that it will return to private ownership.

Interpublic has also been moving into new fields. A few years ago it considered following Saatchi into management consultancy. It analysed 30 possible acquisitions but was deterred by the *ad hoc* nature of their projects and by the lack of synergy with advertising.

Saatcbi has struggled with its consultancies and is now trying to sell them.

Instead Interpublic is increasing its marketing interests outside advertising. It already has sales promotion and direct marketing companies tucked away within its advertising agencies. It is looking at ways of expanding areas and of liaising with outside consultancies.

Interpublic has also expanded into programme production and sponsorship by buying a stake in Fremantle, one of the leading games show producers, this spring.

Mr Geier sees sales promotion and programme sponsorship as essential extensions to the agencies. "We have to prepare for a future where agencies become the communications point for all areas of marketing, not just advertising," he said.

Enimont and Snia to exchange six plants

AN IMPORTANT restructuring in the Italian chemicals and fibres industry was confirmed yesterday when Enimont, the pnblic-private joint venture, and Snia-BPD, controlled by the Fiat Group, signed a letter of intent to exchange six production plants, writes John Wyles.

The agreement, which does not involve any casb payments, aims at strengthening Enimont's position in European and world markets as a producer of acrylic and polyester fibres and Snia's in polyamides and cellulose acetates, together with nylon fibres and polyesters.

According to Enimont, the company's acquisition of three Snia plants will raise its share of the European acrylic fibres market from 31 per cent to 38 per cent and of the world market from 10 per cent to 12 per cent. Its share of Europe's polyester fibre market will rise from 13 er cent to 14 per cent.

For its part, Snia, which also gains three plants, will see its share of polyamidic fibres sales in Europe rise from 9 per cent to 12 per cent. The assets involved in the exchange have a total turnover of more than L900bn ($695.5m) a year.

The two companies said that the agreement would bring "a net strengthening" of their positions in European and world markets by eliminating overlapping activities.

INTERNATIONAL CAPITAL MARKETS

Treasuries rise modestly on Campeau's bad news

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds moved modestly higher yesterday partly because of a jump in weekly unemployment insurance claims and also because there was some flight to quality on news that Campeau's Allied Stores and Federated Department Stores may be forced to seek bankruptcy protection.

At mid-session, the short end of the market was up about ⅛ point while the Treasury's benchmark long bond was quoted about ¼ point higher for a yield of 7.85 per cent.

Initial claims for state unemployment rose 86,000 in the week ended December 2, a number which was regarded by the bond market as providing more evidence of weakness in the jobs market.

The significance of the Campeau news was that the possibility of its retail subsidiaries filing for protection under Chapter 11 of US bankruptcy law was mentioned in an official company document for the first time.

News that US business inventories rose 0.4 per cent in October and that business sales fell 0.7 per cent were in line with expectations and had little effect on bond prices.

Fed funds were quoted at 8⅝ per cent at mid-session and the US Federal Reserve did not operate in the money market.

Today sees a number of key economic releases which the market has been waiting for throughout the week. November industrial production, capacity utilisation and producer prices are due for release along with October's merchandise trade balance.

■ THE UK gilts market bounced back yesterday afternoon after a morning sell-off in response to some disappointing economic figures. However, the long gilt still closed down on the day in a quiet market ahead of today's release of inflation levels for November.

The benchmark 9 per cent long gilt due 2008 closed down ⅛ point at 93.08 with a yield of 9.79 per cent after dropping off ¼ point at a low spot earlier in the day.

Some retail interest returned to the market yesterday afternoon as institutions looked to buy in stock while the market was cheap. With sterling at a low ebb in recent weeks, some overseas investors have resumed their interest in gilts.

Sterling was slightly weaker yesterday and the Bank of England's trade-weighted index dropped to 86.5 from its previous close of 86.7.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-12	-4/32	12.01	12.03	11.51
		8.750	1/98	94-06	-2/32	10.85	10.96	10.65
		9.000	10/08	93-06	-2/32	9.80	9.95	9.72
US TREASURY *		8.000	8/99	100-17	+7/32	7.84	7.92	7.89
		8.125	8/18	102-30	+7/32	7.87	7.91	7.87
JAPAN	No 111	4.800	6/99	96.9257	-0.271	5.45	5.39	5.45
	No 2	5.700	3/07	102.0436	–	5.47	5.45	5.54
GERMANY		7.000	9/99	98.5000	+0.150	7.21	7.26	7.36
FRANCE	BTAN	8.000	10/94	94.2196	+0.163	9.53	9.55	0.48
	OAT	8.125	5/99	94.0400	+0.100	9.07	9.95	8.96
CANADA *		9.250	12/99	98.2700	+0.520	9.52	9.68	9.39
NETHERLANDS		7.250	7/99	96.6800	+0.020	7.75	7.75	7.78
AUSTRALIA		12.000	7/99	94.2942	-0.026	13.06	13.18	13.29

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

IFC in loans deal with NMB Postbank

By Stephen Fidler, Euromarkets Correspondent

THE International Finance Corporation (IFC), the affiliate of the World Bank which concentrates on private sector investment, has signed an agreement with NMB Postbank of the Netherlands to provide finance for small and medium-sized projects in developing countries.

This is the first such co-operation between IFC and a commercial bank. Local offices of NMB will market the finance to borrowers in pre-selected countries and assess the project feasibility. Loans will be in IFC's name, with NMB providing at least half of each loan.

The loans, totalling $50m, will be used initially in Chile, Indonesia, Malaysia and Uruguay. Each is expected to be between $3m and $6m.

MoF issues rules for foreign fund managers

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance yesterday published rules which will govern the entry of foreign companies into the fast-growing investment trust industry, in the latest move in the liberalisation of Tokyo's financial markets.

Foreign fund managers welcomed the guidelines, which included an important concession to overseas companies. The ministry had originally insisted that fund management companies should set up only 100 per cent owned subsidiaries for investment trust business.

But foreign companies lobbied hard to be permitted to give equity to Japanese partners, in order to tempt them into co-operation agreements. In the event, the ministry will allow one or more outside shareholders to own up to 5 per cent.

The ministry said about 20 foreign groups had expressed interest in entering the market and competing with 15 Japanese investment trust companies, all of them affiliates of securities groups. The Big four stockbrokers — Nomura, Daiwa, Nikko and Yamaichi — account for 75 per cent of the Y55,000bn ($382bn) under management.

In order to secure broad access to Japanese investors, foreign groups are likely to strike agreements with Japanese securities companies, which would sell to their clients the foreigners' management skills. Foreign companies will not be allowed to seek partners among Japanese banks and life assurance companies, which also have large retail networks, because this would infringe Japanese rules separating different types of financial company.

However, trust banks might be deemed suitable, ministry officials said yesterday. The ministry said it would start examining applicants from next March.

It is expected to issue the first licenses in the autumn. Ministry officials said the rules did not discriminate against foreigners.

There will be no pre-determined limit on foreign companies — but the fund managers themselves think there are unlikely to be more than about six or eight serious applicants. They include Shearson Lehman Asset Management, Merrill Lynch, Jardine Fleming, Montagu Investment Management, and Warburg Investment Management.

Equitable Life revolving credit oversubscribed

By Stephen Fidler, Euromarkets Correspondent

NATIONAL Westminster Bank said a a $600m revolving credit which it is arranging for Equitable Life Assurance Society of the US has been oversubscribed in syndication.

The 3½-year credit carries an 8.5 basis point facility fee, and a margin of 18.75 basis points. NatWest is the sole arranger, and Credit Suisse First Boston a joint leader.

The credit will replace one maturing in January and will be used in part to back up US and Eurocommercial paper programmes.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 6¾ 96	750	100¼	100½	+0¼	+0¼	8.48
Alberta 9¾ 95	80	104	104½	0	+0¼	8.42
Austria 9¼ 93	140	103¼	103½	0	-0¼	8.42
E.I.B. [illegible]	375	99¾	100¼	+0¼	+0¼	8.32
B.F.C.E. 9¼ 95	150	103¼	103¾	0	+0¼	8.47
Brit. Tel. Fin. 9¼ 98	250	104¼	104½	+0¼	+0¼	8.61
Canada 9 96	1000	103¼	104¼	+0¼	+0¼	8.14
C.C.C.E. 9¼ 95	300	103½	103¾	+0¼	+0¼	8.41
C.N.C.A. 9¾ 94	150	101½	102½	0	+0¼	8.56
Credit National 8¾ 93	200	99½	100	0	0	8.31
Credit National 9¼ 92	160	102½	102¼	0	[illegible]	8.48
Dai-Ichi Kan 9¾ 92	150	102¼	102¾	0	+0¼	8.50
Denmark 8¼ 94	150	99	99½	0	+0¼	8.43
E.E.C. 7¼ 93	150	97¾	98	0	+0¼	8.28
E.E.C. 10 93	140	104½	104¾	0	+0¼	8.58
E.I.B. 8¼ 99	150	99¾	100¼	0	0	8.50
Eurofima 10¼ 93	150	103½	104	0	0	8.57
Elec. De France 9 98	200	102¼	103¼	0	+0¼	8.47
Elec. De France 9¾ 95	150	103½	103¾	0	+0¼	8.60
Finland 9 96	250	102½	102¾	+0¼	+0¼	8.49
Fnm. Exp. Cd. 8¾ 92	200	100	100½	0	0	[illegible]
Fnm. Exp. Cd. 9¾ 95	150	103¼	104	0	0	8.53
Ford Motor Credit 8 93	250	99	99½	0	+0¼	8.59
Gen. Elec. Cap. Corp. 9 93	300	102¼	102½	+0¼	+0¼	8.26
Gen. Elec. Cap. Crp. 10 1/2 91	300	102¼	102½	+0¼	+0¼	8.37
G.M.A.C. 8¼ 96	500	99¾	100¼	+0¼	+0¼	8.75
G.M.A.C. 9 96	300	100¼	101¼	+0¼	+0¼	8.80
Gen. Mtrs. Corp. 9¾ 92	200	101¾	102	+0¼	+0¼	8.50
IBM Credit Corp. 8¾ 93	400	100¼	100¾	+0¼	+0¼	8.56
IBM Credit Corp. [illegible]	250	100	101	0	-0¼	8.40
IBM Credit Corp. 9 92	250	101¼	102	0	0	8.10
IBM Credit Corp. 9¾ 92	250	101¼	102¼	+0¼	+0¼	8.36
Italy 8¾ 94 Ecu	150	102¼	103½	0	-0¼	8.36
Italy 9¾ 95	1000	104¼	105	0	+0¼	8.47
Italy 9¾ 98	1000	106¼	106¾	+0¼	+0¼	8.60
Kob C. W/W 4¾ 94	300	113	114	+2	+3	1.51
Japan Dev. Bank 10 96	200	107¼	107¾	0	0	8.47
KFW Intl. Fin. 9 94	200	102	102¼	+0¼	+0¼	8.39
L.T.C.B. of Japan 9¾ 92	200	101¼	102	0	0	8.58
Nippon Tel. & Tel. 9¾ 95	200	104¼	104¾	+0¼	+0¼	8.61
Norway 8¾ 93	500	101¼	101¾	0	+0¼	[illegible]
Portugal 8¾ 93	300	99¾	100	0	+0¼	8.84
Sumitomo Corp. W/W 4 93	1500	126½	127½	-1¼	+4¼	-3.10
Sweden 8¾ 96	200	101½	102	0	0	8.44
Toyota 9¼ 91	150	101¼	102¼	+0¼	+0¼	[illegible]
Toyota Mtr. Corp. W/W 4 93	1500	106¼	107½	+1	+0¼	1.90
Victorian Rep 11½ 95	200	108¼	108¾	0	+0¼	[illegible]
World Bank 8¼ 99	1500	101¼	101½	+0¼	+0¼	8.38
World Bank 9 97	300	100½	101	0	0	8.46
World Bank 9 93	300	102	102¼	+0¼	+0¼	8.22
World Bank 9¾ 99	300	104¼	104¾	+0¼	+0¼	8.51
World Bank 9 98	300	104¼	104¾	0	+0¼	8.52
World Bank 9¾ 96	300	106¼	106¾	+0¼	+0¼	8.35
Average price change... On day +0¼ on week +0¼						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	200	92¼	92¾	0	0	[illegible]
Austria 6¾ 99	250	94	94½	0	0	7.62
Bk. Frgn. Econ. USSR 7 96	750	99¾	99¾	+0¼	+0¼	8.19
Bank of Tokyo [illegible]	150	93	94	-0¼	0	[illegible]
Commerzbank o/s 5¼ 93	300	93¼	93¾	0	0	7.83
Credit Foncier 6¾ 99	300	93¼	93¾	0	0	[illegible]
E.I.B. 6¼ 99	600	90¾	91¼	0	+0¼	7.63
E.I.B. 6¾ 99	300	94¼	94¾	-0¼	0	7.33
E.I.B. 6¼ 96	500	95¼	96¼	0	0	7.43
E.I.B. [illegible]	300	97¾	98¼	+0¼	+0¼	7.27
Euro.Coal&Steel [illegible]	175	90¼	91¼	+0¼	+0¼	7.74
Eurofima 6¾ 97	100	91¾	92¼	+0¼	-0¼	7.83
Elec De France 5¾ 97	150	91¾	92	+0¼	+0¼	[illegible]
Hydro-Quebec 6¾ 99	300	92¼	93¼	0	-0¼	7.83
Japan Dev. Bk. [illegible]	150	94¼	94¾	0	0	[illegible]
Japan Finance 5¾ 97	100	88¾	89½	-0¼	-0¼	7.90
L.K.O.B. [illegible]	200	97	97¼	0	0	7.70
Ireland 6¾ 97	300	91¼	91¾	+0¼	+0¼	8.02
Ireland 7¾ 99	300	98¼	99	+0¼	+0¼	7.87
Malaysia 6¾ 97	150	93¼	94	0	0	7.73
Nat. West Bk. PLC 6 98	300	88¼	88¾	0	0	7.92
N.H.L. Finance [illegible]	300	96¾	96¾	0	0	[illegible]
Nippon Telg. & Tel. 6 95	400	93¼	94	-0¼	-0¼	[illegible]
Ontario 6¾ 98	200	95¼	96¾	0	+0¼	7.69
Oesterr. Kontrbk. 5¾ 93	100	95	95¾	0	-0¼	[illegible]
Portugal 5¾ 92	150	94¼	95¼	+0¼	+0¼	8.02
Portugal 6¾ 93	150	96¾	97¼	0	-0¼	7.68
Prieschasbank [illegible]	150	92¼	92½	-0¼	-0¼	8.17
[illegible] 5¾ 92	150	91¾	92½	0	-0¼	[illegible]
Turkey 6¾ 95	500	94¼	94¾	0	+0¼	[illegible]
Union Bk. Finland 5¾ 94	500	91¾	92¼	+0¼	+0¼	8.25
World Bank 6 98	500	89¼	89¾	0	0	7.74
World Bk. 6¾ 97	600	91¾	92	+0¼	+0¼	8.50
World Bank 6¾ 99	400	94¼	94¾	0	0	7.62
Average price change... On day +0 on week +0						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	89	89	-1	-1¼	7.24
Asfinag 5 03	100	84¼	84¾	-0¼	-0¼	6.75
B.F.C.E. 4¾ 98	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.M.W. Fin. Neth. 5 13	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council Europe 4¾ 98	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change... On day -0¼ on week -1¼						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.99
Average price change... On day 0 on week -0¼						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change... On day 0.00 on week +0.01						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

NOMURA

This announcement appears as a matter of record only.

NEW ISSUE 14th December, 1989

MARUI CO., LTD.

U.S.$500,000,000
2¾ per cent. Bonds 1993
with
Warrants
to subscribe for shares of common stock of
Marui Co., Ltd.

ISSUE PRICE 100 PER CENT.

Nomura International	Mitsubishi Finance International plc
Daiwa Europe Limited	The Nikko Securities Co., (Europe) Ltd.
DKB International Limited	Goldman Sachs International Limited
LTCB International Limited	Mitsubishi Trust International Limited
Algemene Bank Nederland N.V.	Banque Bruxelles Lambert S.A.
Banque Indosuez	Barclays de Zoete Wedd Limited
Baring Brothers & Co., Limited	BNP Capital Markets Limited
Cosmo Securities (Europe) Limited	Credit Suisse First Boston Limited
Dai-ichi Europe Limited	Dresdner Bank Aktiengesellschaft
Kleinwort Benson Limited	KOKUSAI Europe Limited
Kredietbank International Group	Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Merrill Lynch International Limited	Morgan Stanley International
NatWest Capital Markets Limited	New Japan Securities Europe Limited
Nippon Kangyo Kakumaru (Europe) Limited	Paribas Capital Markets Group
Ryoko Securities International Limited	Saitama Finance International Limited
Salomon Brothers International Limited	Sanwa International Limited
Sanyo International Limited	Swiss Bank Corporation Investment Banking
Taiheiyo Europe Limited	Taiyo Kobe International Limited
UBS Phillips & Drew Securities Limited	Universal (U.K.) Limited

This announcement appears as a matter of record only.

NEW ISSUE 14th December, 1989

NIPPON OIL COMPANY, LIMITED

(Nihon Sekiyu Kabushiki Kaisha)

U.S.$500,000,000
2¾ per cent. Bonds 1993
with
Warrants
to subscribe for shares of common stock of Nippon Oil Company, Limited

ISSUE PRICE 100 PER CENT.

Nomura International	Yamaichi International (Europe) Limited
The Nikko Securities Co., (Europe) Ltd.	Daiwa Europe Limited
DKB International Limited	J. Henry Schroder Wagg & Co. Limited
Robert Fleming & Co. Limited	Fuji International Finance Limited
Goldman Sachs International Limited	Mitsui Finance International Limited
Salomon Brothers International Limited	Shearson Lehman Hutton International
Amsterdam-Rotterdam Bank N.V.	Bank of Tokyo Capital Markets Group
Bankers Trust International Limited	BNP Capital Markets Limited
Chase Investment Bank	Citicorp Investment Bank Limited
Commerzbank Aktiengesellschaft	Credit Suisse First Boston Limited
First Chicago Capital Markets Asia Ltd.	Kleinwort Benson Limited
KOKUSAI Europe Limited	Merrill Lynch International Limited
Mitsui Trust International Limited	Morgan Stanley International
New Japan Securities Europe Limited	Nippon Kangyo Kakumaru (Europe) Limited
Société Générale	S.G.Warburg Securities
Barclays de Zoete Wedd Limited	Baring Brothers & Co., Limited
James Capel & Co. Limited	Cazenove & Co.
Chuo Trust International Limited	Marusan Securities (Europe) Limited
Marusan Europe Limited	Morgan Grenfell & Co. Limited
Swiss Bank Corporation	Tokyo Securities Co. (Europe) Ltd.
UBS Phillips & Drew Securities Limited	Yasuda Trust Europe Limited

This announcement appears as a matter of record only.

NEW ISSUE 14th December, 1989

Toshoku Ltd.

U.S.$150,000,000
2⅞ per cent. Guaranteed Bonds due 1993
with
Warrants
to subscribe for shares of common stock of
Toshoku Ltd.
The Bonds will be unconditionally and irrevocably guaranteed by
The Mitsui Bank, Limited

ISSUE PRICE 100 PER CENT.

Nomura International	Mitsui Finance International Limited
Yasuda Trust Europe Limited	Bank of Tokyo Capital Markets Group
Banque Indosuez	Barclays de Zoete Wedd Limited
Baring Brothers & Co., Limited	Cosmo Securities (Europe) Limited
Daiwa Europe Limited	Deutsche Bank Capital Markets Limited
DKB International Limited	Robert Fleming & Co. Limited
Goldman Sachs International Limited	Hokuriku Finance (H.K.) Limited
IBJ International Limited	KOKUSAI Europe Limited
Manufacturers Hanover Limited	Merrill Lynch International Limited
Mitsui Trust International Limited	Morgan Stanley International
New Japan Securities Europe Limited	The Nikko Securities Co., (Europe) Ltd.
Norinchukin International Limited	Salomon Brothers International Limited
Sanyo International Limited	J. Henry Schroder Wagg & Co. Limited
Swiss Bank Corporation	Taiyo Kobe International Limited
Tokyo Securities Co. (Europe) Ltd.	Westpac Banking Corporation

Yamatane Securities (Europe) Limited

This announcement appears as a matter of record only.

NEW ISSUE 14th December, 1989

TOWA
Towa Real Estate Development Co., Ltd.

U.S.$150,000,000
2⅞ per cent. Guaranteed Bonds 1993
unconditionally and irrevocably guaranteed by
The Tokai Bank, Limited
with
Warrants
to subscribe for shares of common stock of
Towa Real Estate Development Co., Ltd.

ISSUE PRICE 100 PER CENT.

Nomura International	Tokai International Limited
Bankers Trust International Limited	Barclays de Zoete Wedd Limited
Baring Brothers & Co., Limited	Chuo Trust International Limited
Credit Suisse First Boston Limited	Daiwa Europe Limited
Dresdner Bank Aktiengesellschaft	Robert Fleming & Co. Limited
Generale Bank	Goldman Sachs International Limited
Kleinwort Benson Limited	KOKUSAI Europe Limited
Kuwait International Investment Co. s.a.k.	LTCB International Limited
Maruman Securities (Europe) Limited	Merrill Lynch International Limited
Mitsui Trust International Limited	Morgan Grenfell & Co. Limited
NatWest Capital Markets Limited	Salomon Brothers International Limited
Shearson Lehman Hutton International	Société Générale
Sumitomo Trust International Limited	Tokyo Securities Co. (Europe) Ltd.

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INTERNATIONAL CAPITAL MARKETS

Small yen deals dominate hectic new-issue activity

By Andrew Freeman

NEW ISSUES continued their recent hectic pace on the Eurobond market yesterday, with small yen deals dominating business. Secondary markets remained extremely quiet, and are expected to close altogether after today's session.

Samuel Montagu brought a zero coupon A$200m 10-year deal for the State Electricity Commission of Victoria to a good reception. The bonds were priced at 31.45 per cent using a partly-paid structure, and were aimed mainly at predetermined institutional demand.

However, strong retail interest appeared from a wide range of co-managers, and the lead manager was quoting the paper comfortably inside full fees at less 0.85 bid. At one stage, the price peaked at less 0.70 bid. Proceeds were thought to be unswapped, but no confirmation was available.

A Samuel Montagu official said the partly-paid feature had been carefully designed to allow investors to lock in a yield, while giving them a six-month partial benefit from the expected weakness of the Australian dollar.

INTERNATIONAL BONDS

The structure assumes that Australia is heading for a recession that will bring lower interest rates and a weaker currency.

Paribas Capital Markets brought a $200m floating-rate note for Banco Di Roma to a lukewarm reception. The 10-year notes carried a yield of three-month Libor flat, revised to a 3 basis point pick-up over Libor when underwriting fees were taken into account. Traders said the terms were extremely aggressive, but Paribas was quoting the paper on fees at 99.85 bid. Proceeds were swapped.

Paribas also increased to A$125m its recent A$70m one-year deal for PK Banken after meeting very strong demand.

A new £100m tranche of the European Investment Bank's 10½ per cent 10-year deal was launched jointly by Kleinwort Benson and Samuel Montagu. The bonds were brought in line with the existing £200m issue, and were placed with specific investors and were not trading on the grey market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Banco di Roma (London)†♦	200	(a)	100	1999	15/5	Paribas Cap.Mkts
AUSTRALIAN DOLLARS						
PK Banken♦(h)	125	9	94.80	1990	1/8	Paribas Cap.Mkts
State Elec.Com.of Victoria♦	200	Zero	31.45	2000	1/8	Samuel Montagu
STERLING						
European Inv.Bank♦	100(b)	10½	93.75	1999	n/a	Kleinwort Benson
YEN						
Cariplo♦	10bn	8¼	101¼	1993	1⅝/1¼	Nomura Int
Compagnie Bancaire♦	15bn	6.30	101⅞	1993	1⅝/1¼	IBJ Int Ltd
CIBC♦†(c)	2bn	(c)	100⅞	1990	⅛/⅛	Mitsubishi Finance
CIBC♦†(d)	1bn	(d)	100⅞	1990	⅛/⅛	Mitsubishi Finance
Kansallis Osaki Pankki♦(e)	2bn	8½(f)	99¾	1993	1⅝/1¼	Daiwa (Europe)
Kansallis Osaki Pankki♦(e)	0.5bn	8½(f)	101⅞	1993	1⅝/1¼	Daiwa (Europe)
Elkraft Power Co.Copenhagen♦	2bn	(g)	101⅞	1993	1⅝/1¼	Sanwa Int
Kingdom of Denmark♦(h)	30bn	8¼	101⅞	1995	1⅞/1¼	LTCB Int
National Bk.of Canada♦	10bn	6⅞	101½	1993	1⅝/1¼	Sanwa Int
Alliance & Leicester Bld.♦	10bn	6.3	101⅞	1992	1⅝/1¼	Nikko Securities

♦Final terms. †Floating rate note. a)3-month Libor. b)Further tranche of £200 in existing deal. c)Issue launched in two tranches. For 6 months, Libor + 1/16 then + 150bps. Nikkei-linked redemption. d)For 3 months, Libor + 1/8, then 90bps. e)Issue in two tranches. Nikkei-linked redemption. f)3 month yen Libor + 25 for first 3 months, thereafter fixed at annual rates. g)Initial 3 month yen Libor + 25bps then formula applies. Nikkei-linked coupon. h)Issue update.

Japan raises fears of a Eurobond shakeout

Bankers have cause for concern despite plentiful new issues, finds Andrew Freeman

The Eurobond markets face the 1990s in a pensive mood. A turbulent and unfortunate end to the 1980s has left bankers wondering about their future. In particular, 1989 stands as a watershed year — it has seen events and trends that give bankers cause for grave concern.

Superficially, there has been much to give hope. In spite of unfavourable economic conditions for most of the year, new issue volume on the Eurobond markets reached staggering proportions, indicating a depth of capacity and adaptability still unrivalled by other capital markets.

Recent figures from Salomon Brothers suggest new issue volume on the public international bond markets of over $211bn in the year to the end of November, while the possible full-year figure is $225bn. The respective figures for 1987 and 1988 were $184bn and $224bn.

Yet the overall volume figures hide much, including growing redemptions. For a start, look how much of this year's overall business was Japanese equity-related — strip away equity warrant deals, and volumes look much less convincing.

The Bank for International Settlements issues a breakdown of international bond issues which suggests that in the first half of 1989, the net amount of completed new bond issues (that is, taking redemptions and early redemptions into account) was $97.2bn, of which $45bn was equity-related. This compares with gross new issuance of $148.8bn.

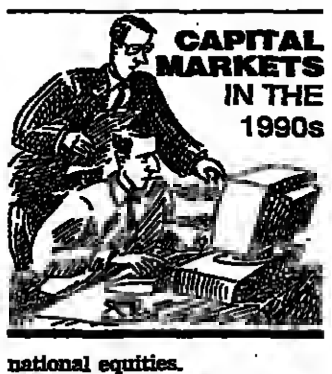
Thus the greatest fear of many in the market is that the profitable Japanese warrant business will be officially encouraged back to Japan from Europe. The Ministry of Finance is even now considering making it compulsory to list equity warrant deals in Tokyo. If that business returns to Tokyo, and there are many who think it is only a matter of time, then forecasts for the wider Euromarket will have to be re-written. A shakeout caused by chronic overcapacity will come much sooner than otherwise predicted.

Even if the drawback of equity warrant business does not occur in the very near future, analysts at Moody's Investors Service believe that a combination of three factors will see Japanese participation in the Euromarket decline: domestic liberalisation, a falling US dollar and a worsening outlook for the Tokyo equity market. Given the dominance of the equity warrant, Moody's notes: "No other market instrument would realistically be able to fill the void. Instead, other aspects of the market would suffer from a decline in underwriting cross-facilitation and shared trading support."

That underlines the extent to which the profitability of many Euromarket houses has been artificially propped up by their limited participation in the equity warrant sector. But it may also underestimate the ability of the Euromarket to innovate.

Senior figures within the Eurobond industry are sticking to their long-running view that overcapacity on the underwriting and distribution legs of the business will lead to an inevitable shakeout during the next two or three years. However, it will not be easy to see this happening.

Even some of the large houses with clear long-term commitments to the Eurobond business have quietly been rationalising their trading, origination and distribution of bonds. CSFB, for example, used a policy of quiet piecemeal reductions to cut its capital markets staff by roughly a quarter from peak 1987 levels, but attracted little attention. It is now gradually expanding again, but significantly is also shifting its focus towards international equities.



While big houses have been rationalising, smaller operations face a stark choice. Some might be able to increase their commitment, building an infrastructure for trading and research. But many will have to pull out.

Nothing would please the big banks better. They argue that too many players are effective parasites, nominally participating in deals but actually dumping their bond allocations at the first opportunity. "All they need is a syndicate manager and a couple of traders and they can gain a public impact with minimal use of capital," says a disgruntled banker.

One of the features of the later 1980s has been the banks' collective realisation that risk management and control of capital have become central to their survival in the Euromarket. The tough fundamental conditions have made it much more risky for banks to hold bonds on their books, while the imposition of daily profit-and-loss accounts on syndicate and trading departments is symptomatic of managements' enlarged concern over allocation of scarce resources.

The diverting and sometimes noisy debate over the way new issues are launched on the primary market, has arguably been directly connected with the big banks' wish to squeeze some of the smaller banks out of the market in order to improve their returns on capital. Small, elite underwriting groups and new methods of rewarding houses for placement of bonds with end investors have led to cries of "cartel." These complaints have some competitive justification but have been largely lost in the jostle for survival.

Nevertheless, the debate has strayed into the public domain on several occasions, and led to the exposure of ruthless business practices. This has done little for the market's image. Some borrowers have shied away from a market so visibly at war with itself, and others have expressed reservations.

At least one often-cited threat to the Euromarket, that of regulation from Brussels, can be regarded as chimerical. Just as the Association of International Bond Dealers (AIBD) lobbied effectively to prevent over-regulation of the market by UK financial authorities, so it would definitely use its Swiss base to block any substantive interference from the European Commission.

While there is no real evidence that bureaucrats want to suppress the freedom under which banks have participated in the Euromarket, there has been a discernible trend for the market not to shy away so much from the idea of greater regulation, whether self or super-imposed.

Optimists have one vital counter to the depressing array of reasons for shakeout and decay. They point out that much of the market's profitability is hidden from view in the lucrative and growing private-placement business.

When some of the biggest houses in the Eurobond business estimate that they are doing more private than public business and for far better returns on capital, one of the fundamental truths about the market is evinced: in its ability to match international borrowers with international investors, the Euromarket remains unchallenged by the world's other capital markets. As it expands into international equities, it might once again refute rumours of its imminent demise, although the increased efficiency of domestic markets remains a fundamental threat.

Even the growth of private transactions, however, suggests that one of the market's concerns is still to circumvent the pressure for greater transparency coming from regulators and investors alike.

The AIBD's three-year battle to establish the Trax trade matching and reporting system has been the most obvious metaphor for the choice facing the Euromarket. It will have to leave its out-lived adolescence behind, and give up its outdated swashbuckling image in favour of a professional, regulated and transparent market.

Earlier articles in this series appeared on December 13 and 8.

Amsterdam SE set to cut fees

By Laura Raun in Amsterdam

THE AMSTERDAM Stock Exchange is expected to lower its commissions on securities transactions next week in response to international competition.

A stock exchange official yesterday refused to quantify the cut but said an announcement would be made on December 21. The reductions will be greater for institutional than private investors, according to Dutch press reports.

Recommendations to cut the commissions have been made to bourse directors by a study group inspired by the plan to make Amsterdam a financial gateway to Europe. Stock exchange commissions were last trimmed about three years ago and are now on a sliding scale between 0.36 per cent and 1.7 per cent of the transaction's value although discounts may be given on share trades above Fl 1m value. Some exchange members add fees on top of the official commissions. The local shareholders' association claims costs are unacceptably high for small investors.

SEC and COB sign pact

By Janet Bush in New York

US AND French securities regulators yesterday signed a bilateral agreement to formalise co-operation between the two countries on a wide range of regulatory issues.

The Securities and Exchange Commission and the Commission des Operations de Bourse said in a joint statement that the agreement affirmed "the determination of both countries to encourage the flow of international capital by ensuring the transparency and security of their securities markets."

The agreement includes manipulation, insider trading, inadequate disclosure, and failure of market professionals to carry out their responsibilities.

OML opens London branch

By Deborah Hargreaves

OML, the London arm of the expansionist Swedish electronic options and futures exchange, opens today. It is the first foreign exchange to receive recognition from the British authorities for trading in the UK.

The exchange will initially list options and futures on a Swedish stock index, expanding later to options on Swedish shares.

Mr Olof Stenhammar, executive director of the OM group, said OML would eventually trade local and international products, but refused to be drawn on whether these would compete with the London exchanges.

OML is well placed to compete with established exchanges in London since its cost structure is low. It has a screen-based trading system, employs its own market-makers, and operates during stock market hours.

Mr Stenhammar said OM would use London as a hub for setting up other electronic exchanges in Europe.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	25	28
Corporations, Dominion and Foreign Bonds	5	0	36
Industrials	337	369	890
Financial and Properties	184	131	370
Oils	27	33	34
Plantations	1	3	6
Mines	13	64	85
Others	79	65	102
Totals	695	690	1,551

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 4
- Last Dealings Dec 15
- Last Declarations Mar 8
- For settlement Mar 19

Calls in: Hobsons, D.C. Cook, Conroy, Brit. Aero., Olivers, Arthur Lee, Leisure Inv., Amstrad, Grampian Hldgs., Ferranti, Tusker Res., Waterford Wedgwood. Puts in: Brit. & Comm., Berisford. Put & Call: Blackwood Hodge.

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Alld Lyons (*500)	500	21	43	53	18	24	32
	550	4½	19	–	53	57	–
ASDA (*107)	110	6	12	17	8	11	13
	120	3	7½	12	15	19	19
Brit. Airways (*219)	180	43	50	53	1	3	4
	200	24	32	34	2	5	8
	220	9	19	22	8	12	16
Brit Coro (*98)	90	14	22	25	6	8	12
	100	18	17	21	10	15	18
SmKl Beecham A (*612)	550	–	90	109	–	8	12
	600	30	54	73	13	20	25
	650	9	27	44	42	45	48
Boots (*272)	240	37	42	52	1½	4	6
	260	20	33	37	5	8	12
	280	8	22	25	15	16	19
B.P. (*332)	300	35	43	47	1½	6	10
	330	10	22	25	7	13	19
	360	2	9½	–	29	29	–
British Steel (*135)	130	–	–	15½	–	–	7
	135	4½	9¾	–	4½	6½	–
	145	2	5½	–	11	11½	–
Bass (*1054)	1000	77	120	145	10	20	32
	1050	42	87	110	30	43	52
	1100	18	55	–	60	67	–
C & Wire (*526)	460	75	98	110	2½	8	13
	500	41	67	83	10	17	25
	550	13	38	55	32	40	48
Cons. Gold (*1480)	1450	20	–	–	5	–	–
	1500	4	–	–	45	–	–
Courtaulds (*382)	360	29	45	33	6	13	17
	390	11	27	35	18	24	32
	420	4	15	–	42	45	–
Com. Union (*495)	460	44	53	66	6	15	18
	500	16	26	42	18	29	33
GKN (*422)	390	42	51	64	4	14	16
	420	20	38	50	11	28	29
	460	4½	15	–	40	53	–
Grand Met. (*611)	600	31	46	65	15	30	38
	650	18	24	–	45	57	–
I.C.I. (*1131)	1050	102	124	147	7	25	28
	1100	62	84	114	18	42	49
	1150	32	57	89	40	67	75
Jaguar (*846)	800	55	55	55	1	1	1
	850	1	1	1	3	3	3
	900	½	½	½	52	52	52
Kingfisher (*292)	280	21	36	39	6	8	16
	300	18	25	29	16	20	25
Ladbroke (*321)	300	27	40	46	4	9	13
	325	18	–	–	15	–	–
Land Secur (*525)	500	38	58	67	6	12	16
	550	18	31	38	28	38	40
M & S (*201)	200	8	17	22	6	8	11
	220	2	8	–	20	28	–
STC (*257)	260	11	19	20	12	19	24
	280	4	13	21	27	32	37
Sainsbury (*259)	240	24	34	39	3	4	6
	260	9	20	24	6	11	12
Shell Trans. (*480)	420	65	78	88	1	6	11
	460	35	45	58	6	17	20
	500	10	23	35	25	35	38

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Storehouse (*113)	110	8	15	18	6	18	12
	120	4	18	12	12	15	18
Trafalgar (*363)	360	–	38	46	–	17	22
	377	12	–	–	22	–	–
Utd. Biscuits (*360)	360	12	26	37	9	18	20
	390	5	13	22	32	37	38
Unilever (*708)	650	71	91½	110	3¼	11	15¼
	700	32½	57	77½	15½	27¼	32¼
	750	10¼	32¼	52	46¼	54¼	58½
Ultramar (*352)	300	58	67	77	1½	5	7
	330	32	43	57	3	13	15
	360	12	25	38	18	27	29
Option		Feb	May	Aug	Feb	May	Aug
Brit. Aero (*576)	500	97	103	119	7	17	23
	550	57	71	90	20	30	39
	600	28	48	64	43	54	64
BAA (*391)	330	72	86	91	1	3	5
	360	46	61	67	4	7	12
	390	23	40	48	13	18	21
BAT Inds (*828)	800	66	97	122	22	35	40
	850	38	66	93	43	58	65
	900	16	43	–	78	88	–
BTR (*469)	420	62	70	84	3	9	13
	460	31	42	57	14	22	24
	500	13	24	37	38	42	44
Brit. Telecom (*291)	260	38	48	56	1½	3	4
	280	22	31	38	4	7	8½
	300	8	18	25	13	15	18
Cadbury Sch (*354)	300	63	69	82	2	5	8
	330	37	47	60	6	12	10
	360	20	31	42	17	25	29
Guinness (*662)	600	80	95	112	5	14	17
	650	43	59	79	17	28	35
GEC (*227)	220	13	22	29	7	9	11
	240	5½	13	19	16	18	22
Hanson (*223)	220	13¼	22½	27	7	8	11
	240	4½	12½	17½	18½	19½	21
LASMO (*581)	550	58	80	97	12	23	27
	600	27	48	67	38	43	40
P. & O. (*596)	550	64½	78¾	92¼	6	18	19
	600	30	46¼	62¾	22¾	35¼	40
Pilkington (*234)	220	29	38	39	4½	8½	12
	240	11	23	26	14	17	21
Prudential (*220)	200	27	31	37	3	6	9
	220	14	18	24	8	13	14
Racal (*242)	240	–	–	37	–	–	20
	250	13	–	–	10	–	–
R.T.Z. (*576)	550	–	62	80	–	20	27
	600	20	35	52	35	45	47
Scot. & New (*354)	330	35	50	38	12	17	23
	360	18	33	43	26	33	38
Tesco (*191)	180	19¼	29	30¼	4	6¼	7½
	200	7¼	13	19¼	13½	15¼	16¼
	220	2¼	7	–	30¼	30¼	–
Option		Jan	Mar	Jun	Jan	Mar	Jun
Abbey Nat. (*173)	160	17	21	23	3	6	H
	180	2½	7	11	10	13	10
Option		Feb	May		Feb	May	
Plessey (*268)	260	11	–	–	½	–	–
	280	¼	¼	–	–	–	–

Option		CALLS Jan	Mar	May	PUTS Jan	Mar	May
Ferranti (*36)	35	5	8½	11	3½	5½	6½
	40	4	6	8	6½	8½	18
Polly Peck (*402)	390	28¼	44¼	56	11¼	19¼	23
	420	14	28¼	39	28	35½	37¼
Thames Water (*137)	120	19	23	27	¾	2	2½
	130	10½	14	18	2	4	5½
	140	5	8½	12	5½	8	9
Water Hldg Pkg (*£1426)	1400	70	100	130	33	53	55
	1450	40	70	110	60	70	75
Option		Dec	Feb	Apr	Dec	Feb	Apr
Reuters (*1060)	1050	26	75½	102	18	38	48
	1100	6½	49¼	76	41	61	72
Option		Dec	Mar	Jun	Dec	Mar	Jun
Amstrad (*45)	45	3	8	10½	4	6	9
	50	1½	5½	8	7	10	12
Barclays (*558)	500	60	80	87	1	12	15
	550	11	34	50	7	25	27
Blue Circle (*238)	220	19	32	34	1½	6	14
	240	–	–	23	–	–	20
British Gas (*227)	220	8	16½	27	1½	8	10
	240	1	6	14	14	18	19
Dixons (*134)	130	7	16	22	2½	H	11
	140	2	18	16	8	13	14
Glaxo (*810)	775	39	77	99	3	22	27
	800	17	59	84	18	30	35
	850	3	34	–	45	55	–
Hawker Sidd. (*687)	650	40	80	95	2	20	30
	700	5	50	62	22	52	45
	750	1	38	45	70	70	77
Hillsdown (*272)	260	14	28	34	2	8	11
	280	2½	16	22	12	16	20
Lonrho (*296)	280	16	–	–	2	–	–
	300	–	18	30	–	26	28
Midland Bk (*360)	360	12	20	37	3	23	25
	390	1½	14	26	25	38	40
R. Royce (*174)	160	14	22½	25	1	4	7
	180	1½	11	14½	8½	12	17
Sears (*105)	100	5½	11½	14	1	4	5½
	110	1	6¼	9½	6	8	11
THF (*306)	300	8½	27	33	3	13	18
	330	1½	11	19	29	29	35
Thorn EMI (*791)	750	42	80	112	2	12	20
	800	6	44	80	18	35	40
TSB (*127)	120	8	12	18	1½	4	5
	110	2	8	10	4	9	18
Vaal Reefs (*$110)	100	11	15½	20	2	8	10
	110	2½	18	14	4	13	14
Wellcome (*763)	750	23	80	110	18	33	45
	800	4	50	–	42	53	–

FT-SE INDEX (*2371)

	2100	2150	2200	2250	2300	2350	2400	2450
CALLS								
Dec	281	232	183	136	88	49	18	5
Jan	302	255	218	165	127	89	58	39
Feb	318	273	230	198	158	116	85	61
Mar	337	293	252	212	173	139	118	85
Jun†	378	–	308	–	225	–	160	–
PUTS								
Dec	1½	2	3	4	H	17	48	81
Jan	6	8	11	15	22	31	47	108
Feb	14	18	24	34	48	60	83	118
Mar	20	25	32	41	53	70	92	118
Jun†	38	–	45	–	78	–	108	–

December 14 Total Contracts 35,419
Calls 24,155 Puts 11,264
FT-SE Index Calls 1765 Puts 3005
*Underlying security price. † Long dated expiry months.

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Orders from Lowndes Queensway to be stopped after February

Silentnight warns of profits fall

By Maggie Urry

SILENTNIGHT, the supplier of 80 per cent of the bed ranges of Lowndes Queensway, the heavily-borrowed furniture and carpet retailer formed in August 1988 by a buy-out of Harris Queensway, has said it will stop taking orders from the company after next February.

The company, which claims 40 per cent of the UK bed market, yesterday warned that its profits for the year to end January would fall sharply to "not less than £7m" and the dividend would be cut. That was partly because of costs incurred by delivering beds directly to Lowndes Queensway's customers.

Its shares dropped 10p to 78p, while Lowndes Queensway fell ½p to 7½p.

One of the main planks in Lowndes Queensway's retail strategy is to cut its costs and improve delivery times by having manufacturers deliver directly to customers. However, this requires makers to invest in delivery systems.

Sales to Lowndes Queensway account for 7½ per cent of Silentnight's turnover. Mr Christopher Burnett, the chief executive, said he did not give up this turnover lightly, but his group was not prepared to invest millions of pounds of its shareholders' money in a direct delivery system "in the light of the current uncertainty surrounding the financial position and long term viability of Lowndes Queensway."

The news is likely to affect Lowndes Queensway's current refinancing discussions with its bankers, although Mr Eddie Dayan, Lowndes Queensway's managing director, said it would be able to replace Silentnight as a supplier because of surplus capacity in the UK bed market.

Lowndes Queensway announced a rights issue and rescheduling of some debt repayments in August, but last month revealed it was going back to its bankers. It was after that, Mr Burnett said, that Silentnight decided it was too risky to invest in the new delivery system. He confirmed that Lowndes Queensway was paying for goods on time.

After Silentnight made its trading statement, Lowndes Queensway riposted with an announcement, saying that Silentnight had experienced difficulties in production and in providing a satisfactory delivery service.

Mr Burnett responded angrily by saying that the group had no production difficulties and that it had provided a satisfactory service. He said he had no contractual obligation to supply beds even until February.

Silentnight's anticipated pre-tax profits would compare with last year's £11.1m, and the earlier hope from analysts for around £10m. Mr Burnett said he expected that profits would recover in the next year so long as consumer demand was stable.

The interim dividend was held at 2.25p but the year's total would be cut from the previous 7p, he said. A decision on the final would be made next year.

Silentnight's interim profits had fallen from £4.4m to £3.8m, because of three problems which together cost the group £1.75m. As well as the costs from delivering to Lowndes Queensway's customers, there was difficulty meeting orders in its upholstery factory and a fire at a cabinet factory hit production.

Yesterday Mr Burnett said that the cabinet factory was now working at levels seen before the fire and an insurance claim should be settled by the financial year end. The upholstery business was beginning to catch up on orders, but was still not up to an acceptable profit level.

Housing market fall hits Anglia Secure

By Jane Fuller

ANGLIA SECURE Homes, the sheltered housing group, has blamed a collapse in the south-east housing market for its pre-tax loss of £4.45m for the year to September 30.

Mr Peter Edmondson, chairman, warned there would be "blood on the streets" in the housing market, as a 20 per cent fall in prices and long delays in selling new homes hit companies in the south-east.

With turnover down by more than £2m to £43.93m and operating profit of £3.72m (£8.41m), it was the £7.78m write down of land and housing stock values plus £370,000 in redundancy costs – taken as exceptional items – that sent the company into the red.

Mr Edmondson said the housing market had collapsed in January after overheating at the end of last year. "An elderly person doesn't like to sell at £65,000 when they thought their home was worth £75,000."

It had taken until May for people to accept the readjustment, including "a lot of hard work holding their hands."

The company specialises in selling sheltered flats, with one or two bedrooms, to people with an average age of 73. The average price of its homes in the last quarter fell to £76,000.

Sales had dropped to 45 per cent of the planned level. Altogether 465 units were sold during the year. This week, the company had 449 completed unsold homes, of which 125 were reserved. Of the unsold units, 139 were six months old or more.

The workforce had been cut from 234 to 95 and the September salary review had been abandoned. Land acquisition had stopped at the end of 1988 and building starts had been interrupted in May.

Mr Richard Clough, managing director, said that apart from price reductions, the most serious impact on margins had come through interest costs.

As is company policy, interest is capitalised on each project until building work is substantially complete. This limited the interest deducted from profit to £240,000.

Borrowings at the year end were £46.5m, taking gearing to 142 per cent. The company stressed that its bankers were proving supportive.

The company's loss per share is 12.9p (31.1p earnings). A proposed final dividend of 0.75p makes a total of 2p (4p).

Runciman shares jump 50p after Swedes buy stake

SHARES in Walter Runciman jumped 50p to 475p yesterday when it was announced that a 29.2 per cent stake in the shipping, security and insurance group had been bought by a Swedish-listed company involved in security engineering, property and specialist consultancy, writes Andrew Bolger.

Forvaltningsinge Avena bought the stake for £11.2m from Telfos Holdings, the diversified engineering group, which bid for Runciman last year.

Avena said it had not decided its intentions regarding its holding. However, an adviser said that given the fit between the two companies' activities, Avena's stake was clearly not a financial investment. Avena had been trying to contact Lord Runciman, chairman of the group.

A spokesman for Runciman said: "We have not met Avena and do not know its intentions. We will carry on running the business as usual."

Avena has a market capitalisation of £200m. Rosengrens, a major subsidiary, is involved in the design and manufacture of security products and safes, and burglar and fire protection equipment.

Another major subsidiary, Kullenbergs, is involved in construction, real estate, financial services, and the rental and service of equipment for the construction sector.

Runciman's first-half pre-tax profits rose 47 per cent to £1.81m on turnover of £18.98m.

Sparkling $70m soft drinks buy for Guinness

By Roderick Oram in New York

GUINNESS is to strengthen its position in the US soft drinks market through a joint venture with Stroh Brewery of Detroit and US investors.

The venture, New Era Beverage Partners, will pay Stroh $70m (£44m) for the assets of its Sundance natural fruit juice sparkling drinks and related brands. Guinness said Sundance was the only national sparkling natural juice brand. It has some 50 per cent of the US market and enjoys healthy profit margins.

Guinness and Stroh will each own 44.5 per cent of New Era with the balance held by a group of investors and management. Guinness will provide the chairman for the partnership and Mr John Povey, vice president of finance in the US, will become its chief financial officer. Day-to-day operations will be run by Sundance's existing management.

Mr Charles Jarvie, a member of the investment group, will become president and chief executive officer. He is a former chief executive of Dr. Pepper, a leading US carbonated soft drink maker.

Stroh, established in 1850, is still controlled by its founding family, but has been liquidating most of its businesses. In September it sold most of its brewing brands and plants to Coors, the Colorado company trying to reinforce its position as a distant third in the US beer market.

United Tote buys Autotote for $85m

By Andrew Hill

United Tote of the US, in which Wembley, the UK leisure group, has a 28 per cent stake, has bought Autotote, a fellow supplier of computerised wagering equipment, for $85m (£53.2m) in cash and shares.

Wembley, which owns the famous stadium, said yesterday it believed the acquisition would "significantly strengthen" the UK group's position in the US totalisator industry, and help United exploit the growing off-track betting business in the US.

The UK company supplied $15m of finance for the deal, in the form of a demand loan which can be called from July 1 next year.

Some $40.8m of the total payment by United was in cash and the balance in the form of a complicated mixture of shares.

United is expected to refinance the acquisition by June 30 next year.

Wembley will be paid interest at 14 per cent a year, a fee of 1 per cent for each 120 days the loan is outstanding after July 1 1990, and will have its expenses reimbursed. The UK group has also subscribed for $7.5m of United common stock to keep its interest at 20 per cent.

Electra Investment rises 73% to £16.8m

Electra Investment Trust, which acts as a venture capital company and which split off its management arm in August to form a £550m unquoted equity trust, reported a 73 per cent increase in pre-tax profits of £16.76m in the year to September.

Earnings per share also showed a strong advance, almost doubling to 8.323p. A final dividend of 2.8p is proposed for a total for the year of 5.5p (4.8p).

The fully diluted net asset value at the end of the period was 345.73p, compared with 281.63p 12 months earlier, but it has since fallen back to 335.84p at the end of November.

Tiphook trailer buy

Tiphook, the UK container rental company embroiled in a long-running joint bid for Sea Containers, is to increase its trailer rental fleet by nearly a quarter.

The group plans to buy 4,800 trailers from Mercantile Group – part of Barclays – for £9.38m, subject to Monopolies and Mergers Commission approval.

Tiphook plans to finance the purchase of the Mercantile subsidiary, Trailerent, from borrowings. The company is already drawing on borrowing facilities to fund part of its share of the Sea Containers bid, which was increased at the end of last week. Tiphook is bidding for the ferry and container company with Stena, the Swedish shipping group.

Trailerent's network comprises 16 depots throughout the UK, providing contract hire and transient rentals.

In 1988 Trailerent made £1.4m before tax. It had adjusted net assets of £8.1m at the end of the year.

Plunge into red wipes 58p off Yellowhammer shares

By Alice Rawsthorn

YELLOWHAMMER, the advertising and marketing group, saw its share price plunge by 58p to 83p yesterday when it disclosed losses of £150,000 in the six months to September 30. This compared with pre-tax profits of £911,000 last time.

The company also said it would not pay an interim dividend (1p).

The fall in the share price wiped £6.7m off Yellowhammer's market capitalisation, which was reduced to £9.5m. The City had expected a weak performance from the company, but had not expected such a large loss.

Mr John Burdett, director of corporate finance, said that it was only five weeks ago, when Yellowhammer announced the closure of a small subsidiary, that it expressed concern at the general slowdown in advertising and realised how badly it had been affected. It said that it had not noticed a reduction in expenditure by its own clients. It then heard that two major campaigns would be postponed.

These problems were compounded by the intensely competitive state of the new business market. Whereas Yellowhammer won several large accounts in the first half of last year, this year it did not make any significant gains.

Its position was further weakened by the cost involved in financing start-up ventures.

As a result turnover rose to £36.45m (£24.44m) but operating profits fell to £209,000 (£957,000). Earnings per share of 5.5p tumbled to losses of 0.9p.

Yellowhammer has cut costs. It has closed Yellowhammer Financial, its financial marketing subsidiary, at a cost of an extraordinary loss of £192,000. It will also reduce annualised overheads by about £500,000.

Mr Burdett said the second half would be "grim", but he expected a return to profit next year.

● COMMENT

Until yesterday Yellowhammer was seen as one of the stabler, more solid members of the volatile marketing services sector. But this set of figures shows exactly how volatile a marketing services company can be. An advertising agency is a leveraged animal with high fixed costs. If it suffers a series of setbacks – as Yellowhammer has – and fails to compensate by winning new business, its profits can fall at an alarming rate. Yellowhammer has taken action to cut costs. But there is no hope of a return in the second half and it will take a long, long time to restore the City's confidence. There are plenty of potential predators around, but a takeover would almost certainly have to be agreed, given that the management still owns 30 per cent of Yellowhammer's equity.

Gold Greenlees bucks the trend

IN SPITE of slowdown in the advertising industry Gold Greenlees Trott, the agency which recently expanded into the US, lifted pre-tax profits by 43 per cent to £3.51m in the first half, writes Alice Rawsthorn.

The company experienced problems at Bowden Dyble Hayes, its Manchester agency, where budgets were cut and campaigns postponed. The main London agency was also affected by economic uncertainty, albeit to a lesser extent.

Mr Matthew Allen, group finance director, said the advertising market was "undoubtedly tougher" but the London agency had won much new business and the group's recently-acquired US agencies had "performed strongly".

Turnover rose to £69.54m (£33.28m) and revenue to £16.88m (£7.62m) in the six months to October 31. But earnings were depressed by dilution after the recent rights issue and earnings per share were static at 14.84p (14.81p). The interim dividend is increased to 3.3p (3p).

The London agency, which provided 30 per cent of revenue, experienced some pressure in the first half. It won new accounts, including Access and Pilkington, worth £15m in annualised billings which should contribute in the second half.

BDH in Manchester was more exposed, chiefly because a large number of its clients are involved with the home products market, one of the chief casualties of higher interest rates.

It has cut costs by making about 15 staff redundant and moving subsidiaries into the agency building.

It also intends to sell two loss-making print companies. The losses involved are expressed as an extraordinary item of £329,000.

The US agencies, Martin/Williams in Minneapolis and Babbitt & Reiman in Atlanta, both fared well. Mr Allen said the group intended to make more acquisitions of young, regional agencies in the US, probably in the north east, south west and on the west coast.

● COMMENT

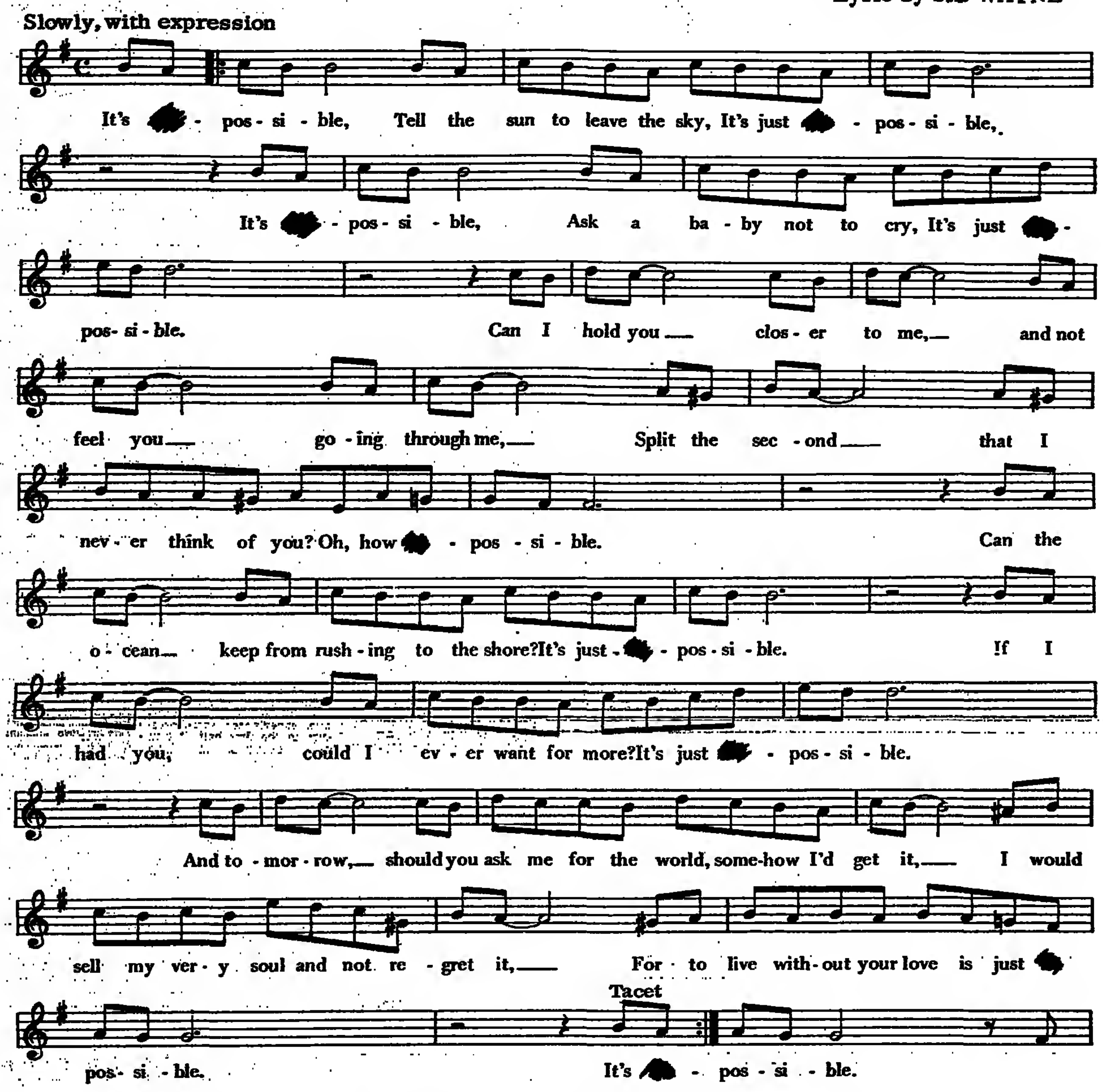
The contrast between the two advertising agencies which reported yesterday, the solid performance of Gold Greenlees Trott and the lurch into losses at Yellowhammer, could scarcely be more marked. Both businesses suffered from the slowdown in the advertising market. Whereas GGT managed to mitigate the damage by controlling costs and winning new business, Yellowhammer had over-expanded and failed to gain new accounts to compensate. Barring a serious slump in the market, GGT seems set for a stronger second half. Its new accounts should start to contribute, the US is faring well and it is getting to grips with BDH's problems. The City expects profits of £7.8m for the full year. But the shares, down 6p to 200p yesterday, are fully valued on a prospective p/e of 6.5 until earnings return to growth again.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglia Homes ....fin	0.75	Feb 28	2.25	2†	3.5
Assoc Paper ....fin	4	Feb 9	6.05	6.75	8.8
Authority Invs ....int	nil	-	3.25	-	7.5
Ball (AH) § ....int	2.2	-	-	-	-
Borthwicks ....int	0.5	Feb 12	0.5	1‡‡	1
Bradstock ....fin	5.5	Apr 10	5.25	7.5	6.75
Brown & Tawse ....int	2.85†	Feb 15	2.85	-	9.5
City Site Ests ....fin	0.8	Mar 1	0.67	1.6	1.34
Compass ....fin	8	-	-	9	-
Electra Invest ....fin	2.8	Feb 28	2.4	5.5	4.8
Eva Ind ....int	2.5	Apr 3	2	-	7
Fine Art Devs ....int	2.3	Jan 23	2	-	7.75
Firth (GM) ....int	2.25	Apr 6	2.25	-	5
Gold Greenlees ....int	3.3†	Apr 6	3	-	7.5
Hoskyns ....fin	2.9	Mar 27	2	4.2†	2.9
Hunter Saphir ....int	1.35	Jan 11	1.35	-	5.05
Johnson Firth ....fin	1.8	Feb 1	1.4	2.6	2
Lee (Arthur) ....fin	4.25†	Feb 23	3	5.8	4.25
LMS ....int	0.8	Feb 3	0.8	-	3.2
Radiant Metal ....int	nil	-	1	-	3
Smith New Court ....int	nil	-	1.5	-	1.5
Speyhawk ....fin	10.5	Jan 31	9.5	14	12.5
Thornton (GW) ....fin	2.75	-	2.5	4.75	4.25
Tinsley (Eliza)§ ....int	1.8	Feb 1	1.8	-	4.8
UK Land ....fin	14.5	Jan 19	11	14.5	11
Watson & Philip ....fin	7.25	Feb 23	6.75	10.1	9.4
Waverley Cameron ....int	0.3	-	0.3	-	1
Yellowhammer ....int	nil	-	1	-	3.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡‡For 12 months of 18-month period.

IT'S [redacted]POSSIBLE

Music by A. MANZANERO
Lyric by SID WAYNE

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There are two ways of looking at a volatile market. One way is cautious; battening down the hatches. The other way is positive; looking for the opportunities. If you want to look for the opportunities in venture capital, you should talk to us. Because we cover all aspects of the market; management start-ups, growth capital, MBOs and MBIs. We're confident we can help the right sort of people. If you're confident too, why not give us a ring? In total confidence, needless to say.

INVESTORS IN INDUSTRY

UK COMPANY NEWS

Trevor Osborne, joining the cheerleaders of caution: high interest rates "may translate to a lowering of tenant demand".

Profits and assets advance at Speyhawk

By Paul Cheeseright, Property Correspondent

SPEYHAWK, the property development group, has lifted net assets by 56 per cent and pre-tax profits by 34 per cent in the year to September 30, taking advantage of the recent strength of the property market.

The fully diluted net asset value per share rose to 533p at the year-end, from 391p a year before. Over the past two years, the group, which has grown on the basis of property development for sale, has laid increasing stress on building up its asset value.

For the period under review pre-tax profits were £23.28m, against £17.32m, a rise which was in line with market expectations.

Fully diluted earnings per share were 59.5p (43p).

So there was little excitement on the market where Speyhawk shares rose 5p to 309p. Shareholders will receive a proposed final dividend of 10.5p (9.5p), bringing total payments for the year to 14p (12.5p).

Net profits came to £24.77m (£11.73m) as a result of an extraordinary item of £7.54m (nil) which arose from the surplus on the sale of the Ramada Renaissance Hotel in Brighton.

Over the past year Speyhawk's profits were boosted by the sale of four central London properties, two of which were to foreign investors. But, outside this foreign activity, the market may be more difficult in the coming year.

Mr Trevor Osborne, chairman, noted that high interest rates will inevitably reduce business activity "and this may translate to a lowering of tenant demand in some areas".

This warning has become familiar among property company chairmen and Mr Osborne said: "The company's strategy is one of caution. We are increasing our marketing efforts and taking further steps to reduce the risk element of development projects."

● **COMMENT**

The stock market has regarded Speyhawk and other development companies with suspicion for the last two years, holding them on a lowly p/e. With property returns turning down and Mr Osborne joining the cheerleaders of caution, there is not likely to be much immediate movement. Still, Speyhawk has some properties in the locker – two in the City of London and at Wimbledon, Bracknell and near Slough – the sale of which will boost profits this year. But under present conditions it is unrealistic to look for a rise this year in either profits or net asset value on anything like the 1988-89 scale. A nav of about 600p looks a reasonable guess, putting the shares on a prospective discount of 48.5 per cent.

Hoskyns' rise to £15.2m helps shares improve 35p

By Alan Cane

HOSKYNS GROUP, the computer services company the major shareholder of which, Plessey, is now controlled by GEC and Siemens, fulfilled its half-way promise with a sparkling second-half performance.

It was the group's 12th successive year of growth and the market responded by pushing the price up 35p to 520p.

Pre-tax profits in the 12 months to October 31 rose by 60 per cent from £9.51m to £15.22m, on turnover up by 72 per cent to £188.71m (£110m). Earnings per share were 48 per cent higher at 23.5p (16.1p).

Mr Geoff Unwin, executive chairman, said that over the past 10 years earnings per share had risen at an average annual rate of 34 per cent. It was too early to comment on the group's relationship with its new parents but it had done work for GEC and intended to work with Siemens.

The directors intend to seek shareholders' approval for a one-for-one capitalisation issue. The aim is to improve the marketability of the shares and to increase the capital base "to an amount more appropriate to the groups' present size".

The recommended final dividend of 2.9p makes a total for the year of 4.2p.

Directors pointed out that the dividend quoted was based on the issued share capital prior to the issue and would be reduced pro rata if shareholder approval was obtained.

During the year, the group made three acquisitions – Programm Standard of West Germany, The Instruction Set and the training division of Datasolve – yet the underlying organic growth rate overall was 38 per cent.

● **COMMENT**

Hoskyns is now reaping the benefit of its long-term belief in facilities management (FM), which is now accepted as one of the most significant computing services trends. FM essentially involves running a customer's computer system on its behalf and frequently on its own premises. Hoskyns recognised the trend a decade ago. Now Mr Unwin reckons that it has between 60 and 70 per cent of the market, while FM operations constitute some 47 per cent of revenues. Almost a dozen UK companies entered the FM market this year, but Hoskyns should retain leadership; an effective operation involves the ability to mesh successive deals together for maximum efficiency and it takes time to acquire this skill. Sales of computer services have so far been almost entirely confined to the UK, but Hoskyns plans to expand in Europe, which partly explains the acquisition of Programm Standard, a West German company selling specialised software on Digital Equipment hardware. Mr Unwin believes that Hoskyns will continue to grow faster than the market, although he accepts that this year's exceptional results are unlikely to be repeated. The company's traditional strengths in manufacturing software and its new expertise in Unix-based open systems, together with a determination to avoid risky defence contracts, suggest that his prediction will be fulfilled. A p/e of 22 on yesterday's figures looks broadly justified.

L&G paying £19m for estate agency

By David Barchard

LEGAL & GENERAL, the composite insurance group, yesterday entered the estate agency market by buying Whitegates, an 153-branch agency chain, from Provident Financial of Bradford for £19m.

The acquisition gives L&G, which until now has preferred to take small minority stakes in estate agencies rather than build up its own chain, considerable strength in the north of England.

Whitegates had been the vehicle for L&G for the sale of life assurance products since last year and generates about 1.5 per cent of L&G's mortgage-related new premium income.

The agency had net assets of £2.16m at the end of 1988 with pre-tax profit for the year of £358,000. However, the tender document predicted a loss of £726,000 this year and warned potential buyers that the chain was expected to stay in loss in 1990. It includes 77 directly-owned branches and 26 franchise branches.

The £19m price was yesterday regarded as fairly high, given the depressed state of the market and the prospect of losses. It is, however, well below the £250,000 to £300,000 per branch which estate agency chains were fetching two years ago.

L&G yesterday declined to discuss its long term plans in the estate agency business. However, it may now be considering the purchase of agencies in southern England to help build up a nationwide chain.

It will have a long way to go before it matches the networks of estate agencies owned by rivals such as Prudential and Guardian Royal Exchange.

British Gas pays £48m for Spanish holding

By Maurice Samuelson

BRITISH GAS is to take a £48m stake in Catalana de Gas, Spain's biggest natural gas distributor and the fourth largest gas company in Western Europe.

The company is to buy the 6.55 per cent stake belonging to Asland, a French-controlled Spanish cement producer, bringing its own share of Catalana to 7.75 per cent.

The sales of the Catalana group, which has just over 1m customers, were worth about £220m last year.

Mr Robert Evans, chairman and chief executive of British Gas, said the investment followed protracted discussions with Catalana and its major shareholder, Caixa de Pensiones, about possible collaboration in Europe and the Spanish speaking world.

The Caixa de Pensiones savings bank owns about 24 per cent of Catalana de Gas, and will increase that to some 31 per cent following its proposed merger with Caixa de Barcelona.

British Gas said it was keen to expand its international presence in the gas industry and had been actively seeking partners in Europe.

Catalana de Gas, founded in 1843, supplies gas to Barcelona and 66 other towns and has a number of associated companies supplying gas to six provincial capitals.

At present it buys exclusively from Enagas, the publicly owned Spanish gas importer, but has said that purchases from British Gas were possible in 1993.

During 1988, the group's gas sales reached 55 per cent of the national domestic and commercial market and nearly 36 per cent of the industrial market.

Compass meets forecasts with £25.1m in first year

By Andrew Hill

A YEAR after coming to the main market, Compass Group, the contract catering, health-care and building services company, has met analysts' expectations for its first full-year figures, reporting pre-tax profits of some £25.1m in the 53 weeks to October 1.

The figures, on a pro forma basis which assumes that the post-flotation capital structure existed for the last two years, compared with £19.5m in the 52 weeks to September 25 1988. Actual pre-tax profits were £23.3m, against £13.3m.

Earnings per share rose from 19.4p to 24.7p and the company recommended a final dividend of 6p, making 9p for the year against a pro forma equivalent of 7.2p. Turnover was up to £343m (£277m).

Compass, formed in a 1987 management buy-out from Grand Metropolitan, came to the market in December 1988. Only 68 per cent of the offer for sale was taken up at 245p per share, but since then the shares have risen to yesterday's close of 352p, up 2p.

The bulk of pro forma profits again came from Compass Services, the group's contract catering business which increased operating profits from £18.5m to £25.1m on turnover of £261m (£227m).

● **COMMENT**

The resilience of Compass shares during the recent market volatility is unsurprising, although it will have irritated investors who steered clear of the offer for sale last year. The group's core contract catering business is an ideal defensive activity: schoolchildren, office and factory-workers still have to eat during the day, even if they cut back on restaurant trips in the evening. What is more, the average length of Compass' catering contracts is now 6.6 years. The group came to the market with an established reputation for efficiency and organisation which would have been the envy of many market newcomers. Mr Robinson and his team seem to be continuing that, sensibly stepping back from larger acquisitions – such as the dozen private hospitals sold by HCA to Bupa for £92m earlier this year – if they consider the price to be wrong. Assuming pre-tax profits of, say, £29.5m for 1989-90, the shares look a strong hold on a prospective multiple of just below 12.5 times earnings.

UK COMPANY NEWS

Smith New Court declines to £2m

By Richard Waters

A LARGE holding in Ferranti International Signal has led to a substantial loss, thought to be about £8m, for Smith New Court, the securities firm.

As a result, the company yesterday passed its interim dividend, having omitted its final dividend last year.

It said that its trading performance had otherwise been sound and reported a pre-tax profit of £2m for tha six months to October 27. This compared with £2.5m in the corresponding period last time.

Smith New Court would not comment on the Ferranti stake, except to state: "In the light of the alleged fraud against Ferranti, tha board is keeping its legal position under review."

The company is believed to have paid about 80p per share in July for a stake of more than 30m Ferranti shares. The vendor was Mr Jim Guerin, the former Ferranti deputy chairman.

The shares are valued in Smith New Court's accounts at their closing price on October 27, the end of its first half, when they stood at 56p apiece. This implies a loss of just under £8m, though the company would only describe it as "substantial".

Since then the shares have fallen further, closing yesterday at 36p – implying a further £6m loss in the current period. Smith New Court refused to say whether it had sold any of the stake since the end of October.

● **COMMENT**

Smith New Court's first half result says it all about the lop-sided risk/reward ratio in the securities industry. A strong trading performance, resulting perhaps in pre-tax profits of £10m, all but wiped out by one big loss. Admittedly a Ferranti doesn't happen every day – but the big accidents that hit this particular neck of the financial woods look all too common. In 1987 it was Black Monday (which Smith survived better than most), in 1988 it was the price war between UK equity market makers (which plunged Smith into a £15m second-half loss). Without Ferranti the pre-tax result would nearly have equalled the buoyant six months before the 1987 crash, and suggests that the company may be beginning to see some return from its investment in institutional sales and corporate finance. But if the company is still sitting on that Ferranti stake, the chances of a dividend at the year end may also be slim.

Associated Paper drops to £1.88m

By Andrew Bolger

ASSOCIATED PAPER Indnstries yesterday announced that its pre-tax profits had plunged from £7.39m to £1.88m in the year to September 30.

API, which operates in paper, stamping foils and air conditioning, said turnover had fallen to £79.6m (£87.4m). The shares fell 13p to 126p.

Mr Charles Rawlinson, chairman, said that although the group had invested heavily in new machinery, it still had too high a cost base and had suffered from quality and delivery problems.

API sold its oldest converting packaging plant at Bollington, Cheshire, in April. The site was subsequently sold to Coated Papers, but the net cost of the disposal was still £808,000, which was taken as an extraordinary item.

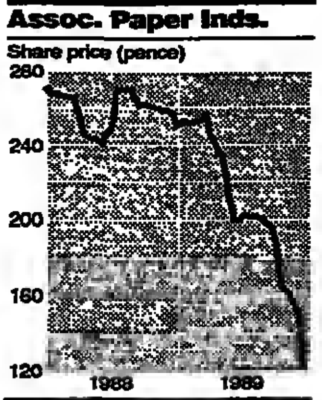
The Garnett paper mill, which lost market share as a result of a prolonged machine breakdown in 1988, had seen a falling demand for brown paper envelopes. In spite of considerable redundancies and reorganisation, it had been decided that its prospects were limited as the only remaining papermaking plant in API and it was therefore being put up for sale.

API Hydraulics, where profits were slightly lower owing to a small reduction in sales, will also be sold.

Mr Rawlinson said that in the papermaking, paper and film converting division, the Poynton plant had a mixed year but earned substantial profits. At Stace profits were maintained and prospects were good. Tenza had a difficult second half, during which work moved ahead on relocating part of its operations, which involved a significant building programme.

Assoc. Paper Inds.

Share price (pence)



In the air conditioning market, Diffusion had substantially increased sales and had good prospects. Purification Products suffered a drop in sales of shoe insoles

Earnings fell to 6.8p (25.2p). A final dividend of 4p (6.05p) cuts the total to 6.75p (8.8p).

● **COMMENT**

API certainly had a woeful set of figures to explain. Rather bravely, they chose not to blame market conditions but admitted to in-house failures of training which led to inefficient use of new machinery, with particularly costly problems on the stamping foil side. Mr Missenden has started to address these problems and focus the business, but he has started on a long, hard slog at a time when margins and market share will be under siege. Forecast profits of £3m next year put it on a prospective multiple of 12.5. That seems generous, but is underpinned by a yield of 7 per cent and the suspicion that the current price, which has fallen from 258p this year, might attract a predator.

JFB forges ahead to £10.2m

By Jane Fuller

JOHNSON & Firth Brown, the specialist metals and engineering group, increased pre-tax profits by 33 per cent to £10.22m in the year to September 30.

With sales up 7 per cent at £106.5m and operating profits 5 per cent ahead at £8.99m, the main reasons for the pre-tax upturn were the much-improved performance of associated companies and a slashed interest bill.

Mr George Hardie, finance director, said the group had reduced gearing to 7½ per cent by selling loss-making subsidiaries and activities, such as the Firth Vickers foundry, which did not fit with the focus on vacuum melting, forging and ring rolling.

The main improvement in associated companies had come at Thomas Bolton & Johnson, a copper bar processor jointly owned with BICC, which made about £2m compared with virtually nothing the year before.

The largest division is Firth Rixson in Sheffield, which this year is likely to contribute 60 per cent of turnover and profit. Some 40 per cent of its specialist metals and alloys go to the aerospace industry, with Rolls Royce as a big customer.

In June the group made a loss-making acquisition, Ring Rolled Products from British Steel.

Earnings per share for the past year increased 37 per cent to 5.2p (3.8p) and the final dividend of 1.8p gives a total of 2.6p (2p).

Development capital side aids rise at Charterhouse

By David Lascelles, *Banking Editor*

CHARTERHOUSE, the merchant banking arm of the Royal Bank of Scotland Group, boosted annual profits by 18 per cent, mainly thanks to sharp growth in its development capital activities. Its stockbroking arm, Tilney, also turned an earlier loss into a profit.

The pre-tax result for the year ending September 30 rose from £34.6m to £40.9m. This included an unchanged contribution of £17.6m from merchant banking, £20.3m (£17.2m) from development capital, £1.8m (£0.4m loss) from stockbroking and £1.2m (£0.2m) from other activities.

Mr Victor Blank, chief executive, said the results showed that Charterhouse's ability to draw on a variety of skills and finance was paying off. The domestic corporate finance division was increasing its client base at a time when other banks' clients lists were falling. The bank's advisory work was also expanding internationally, with international revenues up 70 per cent.

Charterhouse is particularly active in the leveraged finance market. Mr Blank said that despite recent concern, there was little sign of a slackening in business in the small and medium-sized management buy-out market.

In spite of reports of leveraged deals being in jeopardy, the bank was involved in very few in which there was concern. Some provisions had been made, but these were very small.

Tilney, the stockbroking firm, was back in profit. It had recently expanded its coverage of the UK market and was also dealing in Continental stocks.

Charterhouse's 18-month-old capital markets operations made profits of £2m.

Former Cray directors claim they were misled into resigning

By Nikki Tait

FORMER directors of Cray Electronics, the electronic equipment supplier, are claiming that they were misled into resigning from the board with the promise of retained executive responsibilities and new service contracts.

Shortly after an extraordinary general meeting earlier this month, which installed a new boardroom team, and abont fifteen minutes after being presented with new contracts, they were made redundant. Last night, tha matter was in hands of solicitors for the two directors involved.

Yesterday Mr Jon Richards, Cray's new managing director, said he could not comment in detail, given the possibility of litigation. He stressed that the dismissals were "not a personal thing" and should be seen in the context of the need to cut overheads. About 50 people were made redundant following the EGM, as the new board decided to abandon Cray's divisional head office structure.

As shareholders gathered again for the company's annual meeting yesterday, the solicitor representing the two directors, Dr Tim Simpson and Mr Malcolm Bishop, attempted to question the new board.

He made little headway with Sir Peter Michael, the former UEI director who has taken over as Cray's executive chairman. Sir Peter first suggested that the matter did not relate directly to the annual accounts, and then that, because he was a proxy-holder only, the legal representative was not allowed to speak.

Afterwards Mr David Swede of Finers, the London solicitors, said that he had intended to ask why his clients were misled into resigning, why a £50,000 cheque payable to Mr Bishop as compensation was stopped and whether the board intended to make provision to meet termination costs on the service agreements. In clarification, Mr Richards said that the cheque was marked for representation, not bounced.

Mr Swede pointed out that in the circular to shareholders notifying them of the outcome of the recent independent accountants' review, which slashed previously-stated profits by two thirds, it was clearly stated that the directors in question had agreed to step down from the board, subject to the management buy-in going ahead. But it added that "they will nevertheless continue to retain executive responsibility for their respective divisions".

Shareholders attending the AGM again expressed unhappiness at the situation in which Cray has found itself. One shareholder attempted to raise the question of the remuneration of Mr Bernard Collins, Cray's former chairman and chief executive. However, Sir Peter made clear that the matter was already under review and that he would not comment further.

Authority Invs shares drop 57p following £1.4m deficit

SHARES IN Anthority Investments yesterday slumped 57p to 98p on the news that the financial services group dipped £1.41m into the red in the six months to October 31. It also announced that a review of operations had resulted in the group chairman moving to oversee activities of Authority Bank, which is being disposed of.

In the comparable period of 1988 the group made £1.68m pre-tax. Turnover in the first half fell to £3.03m (£4.95m).

There is no interim dividend this time (3.25p).

Mr David Backhouse has resigned from the parent group to run the bank.

Lord Lever has retired as chairman of the bank and will temporarily add the duties of group chairman to those of president.

Eliza Tinsley forecasts cut in annual profits

Eliza Tinsley, which makes and distributes chains and builders' hardware, is forecasting reduced profits for the year to March 31 1990.

Higher interest charges led to a small drop, from £566,000 to £548,000, in the first half pre-tax outcome and the second six months is not expected to reach the £841,000 of 1988-89 as sales to the building trade slow down.

Sales at the USM-quoted group for the period rose nearly 14 per cent to £7.46m (£6.55m). Operating profit moved up 4.5 cent to £534,000 (£607,000). Earnings fell to 4.65p (4.9p), but the interim dividend is again 1.8p.

UK Land halved to £5.64m

UK Land, the property investor, dealer and developer, yesterday reported pre-tax profits halved from £11.25m to £5.64m for the year to September 30.

Earnings worked through at 82.5p (162.9p) and a final dividend of 14.5p (11p) is proposed.

UK COMPANY NEWS

Arthur Lee spurns bid threat as profits soar

By Andrew Hill

ARTHUR LEE & Sons, the Sheffield-based steel and plastics group, yesterday reported record annual profits and again shrugged off the threat of a takeover by GM Firth (Holdings), the engineer and steel stockholder which holds just under 20 per cent of the shares.

Mr Peter Lee, the group's chairman, said executive board members spoke for about 10 per cent of Lee's shares, but he refused to quantify the holding of other members of the Lee family. However, he confirmed that a bid from Firth would be most unwelcome.

The group made £7.74m in the year to September 30, up 28 per cent on the 1987-88 figure of £6.03m.

Earnings per share increased by nearly 28 per cent to 16.26p (12.64p).

"The prevailing mood in the City is that steel is not very good news, but we believe in steel and we are optimistic about the future for a well-managed specialist steel producer," said Mr Lee.

The City seemed to agree and marked up the shares from 149p to 152p on the day.

Mr Lee added that the group was investing strongly for the future, and announced an additional £3.8m of capital investment in the group's specialist stockholding subsidiaries.

That will take the total capital investment for the two years from this summer to some £15m.

Turnover in the year, about 19 per cent of which was export sales, rose from £101m to £120m, including £5m from new acquisitions.

The group recommended a final dividend of 4.25p, making 5.8p (4.25p) for the year.

Steel and related products returned operating profits of £7.01m (£5.82m) for the year on sales of £105m (£89.1m) and the plastics division, which makes cases for video cassettes and compact discs, more than doubled operating profits to £1.46m (£617,000) on turnover of £14.5m (£11.5m).

GM Firth slips to £2m after provision

By Andrew Hill

INTERIM PROFITS slipped from £2.52m to £2.03m before tax at GM Firth (Holdings) as stock market uncertainty continued to affect the performance of the engineering and steel stockholding group's investment portfolio in the half-year to September 30.

Trading profits rose from £2.1m to £2.33m but Firth had to make a provision of £306,000 for reduction in the net realisable value of its listed investments.

These include a 19.9 per cent stake in Arthur Lee & Sons, the Sheffield-based steel and plastics group.

Below the line the group realised an extraordinary profit of £3.94m on the sale of its 8.9 per cent stake in Porter Chadburn, a consumer products and distribution company, although the comparative pre-tax profits contained a £415,000 contribution from the holding.

Earnings per share during the half year dropped from 5.8p to 3.9p, but Firth maintained its interim dividend at 2.25p.

Firth said profits at its steel stockholding business improved by 27 per cent during the period, despite slackening demand for some products.

The furnishing, flooring and fittings division suffered from higher interest rates and increased competition which affected margins.

Profits at the property, investments and financial operation were 14 per cent lower than in the equivalent period.

Mr Ian Wasserman, Firth's chairman, said the group was continuing to look for acquisitions although it would resist the temptation to buy companies purely to boost turnover.

Borthwicks team restores profit

THE NEW board and management at Borthwicks has "amply achieved" its aim of restoring profits in the first six monthly trading period of its reign.

At the pre-tax level, and including exceptionals, the profit came to £1.64m and cut the loss for the 12 months ended September 29 to £495,000. The previous year produced a profit of £588,000.

Mr John Thomson, chairman, said the current accounting period was running for 18 months to March 31 next, and effectively the results were for the first half of the new financial year.

They were an important step in the group's progress towards becoming "a strong value-added food manufacturer," focusing on three core areas: natural flavours, bakery ingredients, and value-added meat products.

Mr Thomson said that in natural flavours, Barnett & Foster achieved further significant growth in turnover and profits, and the acquisition of Globe Extracts in the US provided considerable potential for additional profit growth.

Bakery ingredients continued its strong profit recovery and was expanding the customer base.

The meat products division reduced trading losses sharply despite an unfavourable market.

Group sales in the 12 months were £84.5m (£184.3m) and operating profit was £390,000 (£1.07m). Exceptional debits came to £1.04m (credits £361,000). This comprised £355,000 for abandoning the processed meat project, reorganisation £753,000, plant write-offs £256,000, closure of the Swindon works £514,000, less £837,000 profit on assets sales in the second half.

Losses per share worked through at 1.3p (earnings 0.9p) and a second interim dividend of 0.5p on increased capital makes an unchanged 1p for 12 months.

CU pays £3m for stake in Turkish Bank

By David Barchard

COMMERCIAL UNION, the third largest UK composite insurance group, has bought a 10 per cent stake in Finansbank of Istanbul for £3.2m cash.

The investment is believed to be the first of its kind by a foreign insurance company in a Turkish bank. The two companies launched a joint venture insurance subsidiary at the beginning of this year in which CU has a 55 per cent stake.

Mr James Rattray, CU group overseas manager, said yesterday that the decision to take a stake in Finansbank had followed an exceptionally successful first year for CU's Turkish subsidiary.

"We decided that this was an opportunity to show our commitment to our local partner," he said. Finansbank was established only two years ago, by Mr Husnu Ozyegin, formerly chief executive of Yapi ve Kredi, Turkey's fourth largest commercial bank. Mr Ozyegin, one of Turkey's best known entrepreneurs, is also the bank's principal shareholder.

Fine Art shows 44% growth

FINE ART Developments, the Bradford-based greeting cards maker and distributor, saw pre-tax profits in the six months to September 30 improve 44 per cent from £2.79m to £4.03m.

However, after tax of £1.41m (£1.01m) and an extraordinary charge this time of £1.45m relating to its withdrawal from mail-order trading in Australia, retained profit was insufficient to cover the interim dividend of 2.3p (2p).

The company also announced the acquisition of Hestair Hope, an educational supplies distributor and stationery manufacturer. And at the beginning of this month the Australian operations were sold.

Further growth is expected in the second half.

Turnover was 29 per cent higher at £107m (£82.71m) and the pre-tax figure was struck after an increased interest charge of £2.46m (£2.12m). Earnings per share were 3.34p (2.4p).

NEWS DIGEST

Turnround continues at Oceonics

THE TURNROUND at Oceonics Group continued in line with expectations. For the six months ended September 30 1989 its pre-tax profit advanced to £1.01m, outstripping the comparative £67,000 and passing the £876,000 for the full 1988-89 year.

In the survey and positioning division gains from a major restructuring last year were coupled with improved performance worldwide. Sales rose 70 per cent to £13.98m and operating profit was £2.93m (£810,000).

Costs in the computers and networks division peaked with operating losses at £1.29m (£514,000). Sales were up 29 per cent to £2.63m despite difficulties in the defence electronics markets.

After tax of £591,000 (£157,000), earnings worked through at 0.2p (losses 0.2p) per share.

John Bryant: deputy chairman of Oceonics Group

Earnings per share rose from 4.4p to 5.01p. The interim dividend is maintained at 1.35p.

AH Ball limited to £0.6m in first period

AH Ball, a layer of pipelines which came to the USM in June, reported pre-tax profits of £609,000 in the six months to September 30, against £670,000 in the corresponding period. Turnover rose from £2.56m to £3.18m.

After tax of £213,000 (£234,000), earnings were down 1p at 6.3p per share. The maiden interim dividend is 2.2p.

City Site Estates approaches £7m

A substantial rise in rental income and a surge in gains on the sale of investment properties enabled City Site Estates to lift pre-tax profits by 89 per cent from £3.67m to £6.94m in the year to September 30.

Earnings doubled to 32.87p (15.32p) per share and the dividend is 1.6p (1.34p) with a proposed final of 0.8p (0.67p).

Eve forecasts £4m profit for full year

Eve Group, the USM-quoted contracting and property development company, lifted taxable profits from £1.79m to £2.3m in the six months to end-September.

And Mr Roger Ames, chairman, forecast that the full year outcome was likely to be in excess of £4m.

Turnover in the half-year rose 15 per cent to £25.59m (£22.27m). An increased interim dividend of 2.5p (2p) is payable from earnings per share ahead from 12.4p to 15.9p.

Second-half caution at Hunter Saphir

Taxable profits of Hunter Saphir, the food manufacturing and distribution group, expanded by some 10 per cent to £2.32m over the 28 weeks to September 9.

The advance from the £2.1m achieved in the corresponding period of 1988 came on turnover down 20 per cent to £72.98m (£91.49m) reflecting a series of asset disposals.

Mr Nicholas Saphir, chairman, said the economic climate was effecting both distribution and food activities and warned that this would have a "disadvantageous impact" in the second half.

10% downturn to £6.2m at Bradstock

Bradstock Group, the insurance and reinsurance broker, suffered a 10 per cent fall in pre-tax profits from £6.84m to £6.17m in the year to the end of September.

However, Mr OD Plunkett, chairman, said that he was "very pleased to report that the company had continued to make progress with turnover up from £15.07m to £16.89m".

Earnings worked through at 14.2p (17.7p) and the directors proposed raising the final dividend to 5.5p to make 7.5p (6.75p) for the year.

Modest increase at Watson & Philip

A modest increase in annual pre-tax profits was reported by Watson & Philip, the Dundee-based food distributor.

In the year to October 27, profits amounted to £3.75m (£3.61m), a result posted on turnover of £231.03m (£224.78m).

After tax of £1.09m (£1.24m), earnings per 10p share expanded from 15.8p to 16.9p. The total dividend for the year is raised to 10.1p (9.4p) via a recommended final of 7.25p.

Record order book at GW Thornton

GW Thornton Holdings, the USM-quoted precision forgings manufacturer, announced a 13 per cent expansion to £1.42m in taxable profits for the 12 months to September 30.

Mr David Bramah, chairman, said the forging business enjoyed a record order book.

Turnover advanced to £20.38m (£13.88m). Earnings rose to 13.7p (13.2p) per 5p share and a proposed final dividend of 2.75p lifts the total to 4.75p (4.25p).

LEGAL NOTICES

THE PROPERTY MARKET

The path laid down by British Land

By Paul Cheeseright

DUST in the share market has settled with remarkable speed over the British Land restructuring, the most ingenious piece of financial engineering in the sector for years, but deeper questions remain about its implications for other property companies.

Last week the share market was agog. British Land shares jumped 44p to 403p and the FT Property Share Index celebrated the restructuring on the Wednesday with a one per cent rise. Since then nothing. British Land shares have drifted off. So has the Index which has been running at roughly the level of December 1988.

UBS Phillips & Drew noted that the run up in share prices cut the average discount to net asset value in the sector from 40 to 33.5 per cent but it has since widened to 35 per cent.

A main object of the British Land exercise was to overcome that discount. The means is to sell off the greater part of the British Land portfolio and put the rest into a new company.

Shareholders would have a payback through, first, dividends and share repurchases and, second, a stake in New British Land, the new company. Put another way, shareholders would receive a one-off return closer to the market value of the British Land properties than they could expect from selling their shares.

Next Thursday shareholders will vote on the scheme. They will know of the market plaudits for the ingenuity of the scheme. They will have heard the voices of sharp criticism directed against the terms on which properties are transferred to New British Land, the level of management fees and the terms of the options in New British Land shares proposed for the management.

There are other management teams watching all of this very closely and other schemes will no doubt be produced to realise property values at a time when the share market is likely, on most estimates, to remain sluggish. With the direct property on a downward trend, there is little to stimulate a rise in share values.

This is the first point which leads to the conclusion that only a few companies will be able, or want, to go down the path opened up by British Land.

The success of the British Land scheme depends on its ability to liquidate its portfolio over the next five years or so. But for the immediate future, its ability to do this depends on its ability to find buyers for whom a downward trend in a notoriously cyclical industry is of limited importance.

In other words, British Land in the near term is looking for overseas buyers, probably Japanese, possibly American, anxious to buy prominent buildings in central London. There are few buildings which meet the criteria. Interest in a key City of London building is one thing, but it is a moot point whether a Japanese insurance company would be quite so interested in, say, Hammerson's shopping centre at Brent Cross or the Slough trading estate, owned by Slough Estates.

In this connection there are, in any case, tax concerns for the management and shareholders of any selling company. The British Land scheme works for shareholders because of the ability to write off capital gains tax against advanced corporation tax and the equalisation of capital gains tax with corporation tax.

The discount of the share price traditionally has been largely attributable to the capital gains tax liability on the sale of a portfolio. But capital gains tax liabilities differ in their effect from portfolio to portfolio.

One finance manager noted that any company contemplating a British Land-type scheme would have to ask to what extent tax would swallow up funds raised for distribution to shareholders in the effort to bridge the gap between share price and net asset value. The bigger the gain in value before 1982, when capital gains tax liabilities were indexed, he suggested, the better the deal is likely to be.

The implication here is that property companies with long-held portfolios are the best-equipped to realise the value in their properties for shareholders. But, arguably, they are the companies least likely to want to do it.

As a general point such long-held portfolios are likely to be held by the property investment companies - Land Securities, MEPC, Hammerson, Slough Estates, Great Portland Estates and so on.

But these companies simply do not see themselves as candidates for liquidation. Articles of association are likely to be tightly drawn. Those of Great Portland, for example, do not allow the distribution of capital surpluses. They see themselves as long term investments, defensive stocks. They do not wish to crystallise value. Rather they simply intend to go on creating it and providing a dividend stream.

If, then, the British Land example is to be followed in one guise or another, then it seems likely to be among the smaller or medium sized companies with an investment base but a development bias. What they will need, however, is a flexible system of funding which can be adapted to a reconstruction in a way that would be impossible with, for example, Land Securities' long term debt.

The companies most favoured by the market to go down this path are Wates City of London Properties and London & Edinburgh Trust.

But a key factor will be the attitude of the investing institutions. If British Land's scheme goes through next Thursday and it looks as if institutions accept the principle of this sort of restructuring, then there will be some financial architects quickly put to work.

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to October 89	14.3	19.7	22.2	18.0
Quarter to October 89	2.9	3.3	4.7	3.4
Month of October 89	0.8	0.7	1.2	0.9

Source: Investment Property Databank

PLANTATION House in the City of London is probably the most valuable asset of the British Land portfolio. And it has been there for a long time. British Land bought it in 1971 and, in the mid-1960s, added to it adjoining freeholds. There is over 330,000 square feet of office space and the possibility later on of redevelopment.

The second largest asset in the portfolio is Euston Centre on the north side of central London, where modernisation work on 500,000 square feet of space is taking place.

The two properties could probably raise around £600m for British Land, so they are crucial in the liquidation of the portfolio. They are the sort of properties which, most obviously in the British Land portfolio, would be attractive to foreign buyers, now the main players in the London market for buildings of such size.

The total British Land portfolio, valued at £1.45bn, is abnormal among the large property groups in being heavily dominated by two such properties. This probably makes easier the sort of reconstruction which is being proposed, provided buyers can be found. It is freely speculated that Mr John Ritblat, the British Land chairman, has indeed buyers-in-waiting.

Yet there are few who believe that Mr Ritblat's scheme will set off an onslaught of selling, especially into a market which is tending to weaken and where the yields, except for certain of the most prestigious properties, are widening.

Plantation House, however, would have posed problems for Mr Ritblat had he not chosen to put a For Sale sign on top of it. It is ripe if not for redevelopment at least for refurbishment. Closing it for such a purpose would have had a nasty effect on the British Land profit and loss account.

LEGAL NOTICES

Notice to the Warrantholders of

CANON SALES CO., INC.

U.S. $100,000,000 1 3/8 per cent. Guaranteed Notes 1992

Pursuant to Clauses 3 and 4 of the Instrument dated 30th June, 1987, the following notice is hereby given.

At the meeting of the Board of Directors of Canon Sales Co., Inc. held on 20th September, 1989, a resolution was adopted for the issue of new shares by way of free distribution, particulars of which are given below. Consequently, the Subscription Price of the captioned Warrants shall be *adjusted, as specifically provided in paragraph 3. below.*

1. The free distribution of new shares will be made to shareholders of record as of 31st December, 1989, Japan Time, at a ratio of 0.1 for each one share held.
2. The free distribution shall be made on 15th February, 1990, but the dividends for these new shares will accrue as from 1st January, 1990, Japan Time.
3. Pursuant to *condition 7 of the Warrants, the Subscription* Price will be adjusted:

Current Subscription Price:	Yen 2,153.00
Adjusted Subscription Price:	Yen 1,956.80*

*The former adjustment (from ¥2,153.00 to ¥2,152.50) in July 1988 caused by the issuance of Swiss Francs 200,000,000 Convertible Notes 1988-1993, is carried forward for this adjustment.

The new Subscription Price will become effective on 1st January, 1990, which is immediately after the record date.

15th December, 1989

CANON SALES CO., INC.
11-28, Mita 3-chome, Minato-ku, Tokyo, Japan.

UNILINE ELECTRONICS LIMITED
IN RECEIVERSHIP ELECTRONICS

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a meeting of Creditors of the above named company will be held at Cork Gully, 43 Temple Row, Birmingham, B2 5JT on Tuesday 19 December 1989 at 10.00 am for the purposes of having laid before it the report prepared by the joint administrative receivers in accordance with the said section and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a billy of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a secretary held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claim with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 18 December 1989. A form of proxy which, if intended to be used, must also be lodged with us by that time.

DATED this fourth day of December 1989

John F Powell and Ian N Carruthers
Joint Administrative Receivers

INTERNATIONAL PROPERTY

COMMODITIES AND AGRICULTURE

Scottish fishermen fear for industry's survival

By James Buxton, Scottish Correspondent

Fishermen do not believe sharp cuts in quotas are justified

SCOTTISH FISHERMEN, who account for about two-thirds of Britain's fishing fleet, believe that the sharply reduced quotas being proposed by the European Commission are unjustified and grevely threaten the survival of their industry.

They say they are sceptical ebout scientific evidence of a drastic fall in stocks of haddock. But if the problem is as serious as the EC believes they say the Government should respond with e subsidy scheme for keeping boats in port, as well as with an officially-funded decommissioning operation.

"We're talking about the very survival of the Scottish fishing fleet," Mr George Sutherland, chairman of the Scottish White Fish Producers' Association, said in Edinburgh last night.

The news that the European Court has declared illegal British measures requiring that 75 per cent of the crews of boats fishing in British waters should be British – in order to keep foreign boats from taking British quotas – was "s very bad blow," Mr Sntherland said. "It just makes things worse. It puts more people back to catch the fish that aren't there."

Mr Sutherland, who had just returned from lobbying in Brussels, said that the Commission's proposed 1990 total allowable catch for haddock in the North Sea of 43,000 tonnes, of which Britain would be allowed 32,000 tonnes, would be exhausted within five or six months. This year's British quota of 54,000 tonnes had been used up in ten months.

He hoped the British Government would press for a quota at the top end of the range countenanced by the scientists. This would be a total TAC of 50,000 tonnes with Britain's share amounting to 38,000 tonnes.

Mr Sntherland said thet EC proposals to keep boats in port for ten daye s month were unworkable. His own boat only fished 160 days e year, so the restriction would make no difference.

If stocks really were in danger it would better to have e scheme whereby boats were paid by the Government to tie up in port for alternate months. "You can't stop fishermen trying to earn their living. No one has the right to force a fisherman to tie up without paying him," he said.

The Government should also run a decommissioning scheme to reduce the size of the British fleet. Decommissioning was feasible if organised properly and must not take the most efficient boats out of service.

Tougher rules add to worries

By Tim Dickson in Brussels

BRITAIN'S NORTH Sea fishermen face tough new management rules - as well as deep cuts in their catches next year - under the European Commission's proposals.

Details of the Brussels package of fishing quotas emerged yesterday following the conclusion of talks with the Norwegian Government over areas of the North Sea which are jointly managed with Oslo.

Among the main points in the Commission's proposals are a cut in the Community's share of the TAC for North Sea cod from 118,750 tonnes this year to 97,000 tonnes for 1990, and a drop in the Community TAC for haddock from 68,000 tonnes to around 43,000 tonnes (in years past the equivalent figure has been over 300,000 tonnes). Both these species are of key importance to Britain's North Seas fishing fleet with the UK entitled to 47 per cent of the cod TAC and 78 per cent of the haddock.

The new figures proposed for western mackerel and herring are broadly similar to those agreed for 1989.

Mr John Gummer, the UK's Fisheries Minister, has said any increases in the TACs will have to be consistent with conservation objectives but he will also be concerned about several more specific issues. These include:

● A new footnote in the Commission'e proposals which requires boats registered in a member state whose haddock quota was more than 10 per cent of the Community total over a recent reference period and whose haddock landings total more than 40 per cent of their total landings to stop fishing for 10 days of each month. It is understood that the UK is sympathetic to the aim of better fisheries management but believes that this is a matter for member states to discuss with their domestic fishing industries.

● The so-called Hague Preference, a deal which gives Britain the right to more than its usual share of the EC's haddock quota when the overall quantities fall below a given level. Last year a compromise enabled the UK to boost its actual share from 78 per cent to 87 per cent of the total - this time the need is even more pressing.

● Another new article in the regulations which says that once cod and haddock TACs are exhausted vessels would have to stop fishing for other species, including whiting and saithe. This is designed to tackle the problem of mixed fisheries where nets scoop up stocks which are then thrown back dead into the sea.

● The omission this year of e clause allowing fishermen to pursue migrating mackerel to the East of the so-called 4 degree line – one of the boundaries of the relevant mackerel zone. Mr John Gummer, the UK's Fisheries Ministers, will be anxious to get this concession re-instated since it enabled UK fishermen to catch an additional 36,000 tonnes of mackeral last year.

The Commission and the French Presidency, meanwhile, will have to balance Britain's demands against Spanish fury following the EC's agreement with Greenland and Canada, Irish unhappiness over mackerel, and other specific Danish, German and Belgian concerns.

UK and US groups in Soviet aluminium venture

By Kenneth Gooding, Mining Correspondent

A JOINT venture group involving UK, US and Soviet organisations has been formed to build and operate e new aluminium smelter in the Soviet Union and to modernise an existing smelter at Irkutsk in southern Siberia for Sovaluminiy, which claims to be the biggest aluminium producer in the world.

The proposed new smelter will have the capacity to produce 130,000 tonnes of aluminium a yeer. The Irkutsk smelter has an annual capacity of 250,000 tonnes.

Mr Paul Braumer, chairman of International Engineering Consultants (UK), a London-based engineering and project management group which promoted the scheme, said that at least $200m worth of non-Soviet equipment would be required and he hoped that UK companies would provide the lion's share.

Payment would be in the form of primary aluminium from Sovaluminiy's extra output. UK organisations would provide lines of credit.

The project will link computer technology developed by Kaiser Aluminum and Chemical Corporation of the US with large, modern cells designed by the Vami Institute of Leningrad.

Mr Nickolai Kaluzhsky, e director of both Vami and Sovaluminiy, said the proposed scheme fulfilled Soviet demands to have foreign partners involved in the operation of joint-venture projects rather than simply providing equipment.

The Soviet Union should be able to export more aluminium by calling on the marketing expertise of its partners, he said.

Under the terms of the preliminary egreement, a UK-based company, Baykal Aluminium, has been set up to carry through the project. IEC and Kaiser will share 50 per cent of the project with Sovaluminiy, Vami and the Irkutsk smelter taking the other half.

Irkutsk is located about 50 miles from Lake Baikal, the largest and deepest fresh water lake in the world, covering 11,500 eqnare miles and containing 17 per cent of the world's fresh water resources. "Protection of this vital area from the sulphur and fluoride which present smelters epew into the air is e major factor in forcing the pace for a speedy solution to these problems," said Mr Brauner.

Sovaluminiy is a recently-established Soviet organisation which represents the interests of the country's 14 primary aluminium smelters and associated bauxite and alumina industries.

Mr Braumer said that most aluminium production in the Soviet Union was still based on the old-fashioned Soderberg process which was unacceptable today because of concerns about pollution.

Mr Yurin Makhalov, director of Irkutsk Vami, said that about half the Soviet's 14 smelters needed to be brought up to date and some were constructed 30 years ago. However, others were producing high-quality aluminium – the three Siberian smelters were selling metal to practically every country in the world, be insisted.

As usual, the Soviet delegates refused to give any details abont the industry's capacity or output.

The partners expect, subject to finalisation of contracts, that the first nine test cells combining the US and Soviet technology will be installed at Irkutsk early next year.

The UK partner, IEC, previously initiated the construction of e £65m aluminium smelter in Bahrain (120,000 tonnes e year) in 1969 and a $1.2bn, 124,000 tonnes e year, smelter in Dubai in 1977. Its other best-known project was the Cerro Verde copper plant in Peru which came on stream in 1977.

Cocoa price at fresh 14-year low

By David Blackwell

COCOA PRICES sank to fresh 14-year lows on the London Futures and Options Exchange (Fox) yesterday as reports circulated of large producer sales.

One rumour suggested that a leading French trade house had clinched a deal for 60,000 tonnes with the Ivory Coast, the world's biggest producer.

"This really smashed the price," said one dealer yesterday. The March position in London shed £27 to close et £626 a tonne and in New York prices continued falling.

Prices are now getting near the level where even low-cost prodncers would be losing money. Some Malaysian estates are already believed to be making losses, leaving only the Indonesians making any profit at all, analysts said.

The Ivory Coast is in a particularly difficult position; it has already cut the price it pays to farmers in half this year, and is unlikely to make any further cuts. The country also has a huge amount of cocoa to sell, and every time it makes a large sale the price tumbles even further.

At the same time manufacturers, well aware of the overhang of cocoa supplies, see no need to cover themselves by holding cocoa. "All the warehouses in Europe are chock-a-block with cocoa," one analyst said yesterday.

Meanwhile the International Cocoa Organisation's executive committee was meeting in London yesterday and today to review the market situation and administrative matters. It is not thought that any firm decisions about the future of the cocoa agreement will be taken at this week's talks.

Red tape ties up Brazilian sugar exports

By John Barham in Sao Paulo

US officials hope that a bureaucratic foul-up that has deleyed Brazilien sngar exports could be solved soon. Brazilian officials misgivings over an unorthodox export arrangement have held np shipments of sugar to the US to fill Brazil's sugar quota.

An American official said: "We want them to ship now. We are facing a tight market and we need that sugar." He explained that the Government had approved an unusual export arrangement in November to overcome shortages and meet its commitments to sugar traders.

Mr Paulo Sergio de Souza, an official of the Government's Sugar and Alcohol Institute (IAA), said: "this no longer has anything to do with the IAA. It now depends on the foreign trade department which has delayed issuing export licenses."

However, the American official said that "the foreign trade department was suspicious about a possible $34m loss to the country, and bumped [the paperwork] up to the Bank of Brazil, which pushed it on to the Finance Ministry, which passed it on to the Trade and Development Ministry. Now it's working its way back down the chain."

He said a favourable decision was expected by today.

Brazil is to ship 311,000 tonnes of sngar to the US between January 1989 and September 1990, but only about 60,000 tonnes has been shipped so far.

The US limits access to its domestic market by distributing import quotas, but pays prices above the world market. American negotiators have threatened that Brazil could lose all or part of its 1990 quota unless shipments are made on time.

However, the official admitted thet if the quota was cancelled, "It would not be easy to find the eugar on the open market."

He edded that sanctions could backfire, because export houses and not Brazil, would be the first to suffer from suspension of Brazil's quotas. This is because the IAA transferred its 1989 US quotas to the the trade houses as part of a complex mechanism devised to avoid defaulting on forward sugar export contracts.

The delayed exports are the latest bungle in Brazil's rapidly unravelling sugar policies. Bad planning has created a critical shortage of alcohol, the alternative fuel that powers 26 per cent of Brazilian cars. Since alcohol is distilled from sugar cane, Brazil has had to halve its sugar exports.

Last week, a judge suspended imports of methanol, intended to be used as a temporary alcohol substitute. Later it emerged that some sugar producers will be able to resume exports, despite shortages on the domestic market.

Carnations give Cretans a rare success

Kerin Hope reports on the flowering of one farm sector while traditional exports suffer

THE VILLAGERS of Thrapsano are famous for their skill at making "pithoi", the tall, Ali Baba-style jars in which Cretan olive oil and wine are traditionally stored. The local red clay, however, happens to be as suitable for growing carnations as it is for making pottery. A flower producers' co-operative set up four years ago has helped raise annual earnings to more than 220m drachmas (£900,000), of which more than a third comes from exports.

In addition to sending carnations weekly to Britain and West Germany between November and May, the 100-odd growers have become the first Greek farmers to export regularly to Japan.

"The Japanese market is by far the most profitable, but you have to be well organised to meet their standards for quality," says Mr Zacharias Klados, the co-operative's agronomist.

The major expense for the growers at the moment is buying carnation cuttings from the Netherlands, but next year locally prodnced cntings should be available, reducing planting costs by 50 per cent.

The co-operative is also experimenting with heating greenhouses to boost winter production and plans to set np a laboratory for studying soil conditions and garden flower diseases, with funds provided by the EC Mediterranean programmes.

But the Thrapsano farmers' success is a rare achievement these days in Crete, one of Greece's three major agricultural regions. The island's traditionally high-earning products, sultana grapes and winter cucumbers are under threat, while agribusiness expertise has been slow to develop.

The sultana vines which flourish in on the rolling hillsides of central Crete are now badly hit by phylloxera, which reached the island 12 years ago. With the help of EC grants, farmers are now replanting with the disease-resistant American vine, but many elderly growers simply prefer to retire.

"Round here, a fair number of vineyards will be left uncultivated. Young people would rather work in tourism than farming," says Mr Marinos Fassoulakis, a farmer in the village of Kroussanas, 12 miles from the northern coast where huge hotel complexes have proliferated.

For the 30,000 families affected by the spread of phylloxera, uprooting the vines and replanting means a three-year loss of income. The 170,000-drachma grant per etremma (1,000 sq m), covers the cost provided the farmer and his relatives do the work themselves. Cretan farmers also complain that greenhouse production of winter cucumbers now faces stiff competition from Dutch growers using heated greenhouses and Spanish producers.

"Our advantage in being farther south than anyone else in the Community doesn't count for much any more, especially since Spanish farmers are nearer to the markets," says Mr George Stavroulakis, the village secretary in Sivas in the southern Messara district.

Although Crete is well-supplied with airports, cucumbers and table grapes still travel by truck on the overnight ferry to Athens, a three-day drive from the West German markets.

"My belief is that the future lies in the old-fashioned products, oil and wine, properly marketed. We'd pay a lot get the right people to promote them," says Mr George Polyzoakis, president of the Peza co-operatives' union, the largest on the island.

WORLD COMMODITIES PRICES

LONDON MARKETS

GAS OIL futures on the IPE closed sharply down yesterday in a technical correction after being overbought during the recent price run-up following cold weather in Europe and the US. On the bullion market gold continued to retreat, although closing ahead of earlier levels. With overall sentiment still constructive, many traders saw the afternoon dip as an opportunity to buy, dealers said. On the LME, copper closed down - the market was more inclined to cite the influence of sharp reductions in major car producer sales than to follow Comex, which rallied on Wednesday on less gloomy predictions for the US economy. Lead prices moved further ahead - Asarco raised its list price to 40 cents a lb and if others follow, it could indicate that the recent sluggish spell in the US physical market is over, traders said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-6.95z	
Brent Blend	$19.00-9.05w	-.075
W.T.I. (1 pm est)	$20.69-0.72z	-.04
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$191-193	
Gas Oil	$212-213	-8.5

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	640	680	670 640
Mar	626	653	648 625
May	636	664	655 635
Jul	651	679	665 650
Sep	666	694	689 665
Dec	691	710	705 690
Mar	710	735	723 708

Turnover: 10959 (7606) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Dec 14 728.65 (761.01):10 day average for Dec 15 757.44 (760.77)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	662	663	667 661
Mar	663	662	665 660
May	675	678	677 672
Jul	691	694	696 691
Sep	712	712	715 711
Nov	731	727	736 735
Jan	751	747	755 752

Turnover: 2171 (3152) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Dec 13: Comp. daily 62.14 (61.95). 10 day average 61.41 (61.35)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	303.00	304.00	306.80 302.20
May	303.00	304.40	309.00 303.00
Aug	300.00	301.60	305.00 300.00
Oct	293.00	293.80	298.40 292.40
Dec	290.00	291.80	285.00 285.00
Mar	278.00	279.60	280.00 277.40
White	**Close**	**Previous**	**High/Low**
Mar	373.50	372.00	374.00 370.00
May	379.00	378.50	379.00 375.00
Aug	387.50	386.50	387.50 384.00
Oct	361.00	360.00	361.50 358.00
Dec	351.00	350.00	350.00 348.50

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,975 tonne
Cash	1627-30	1641-5		1631-2		
3 months	1626-7	1638-40	1632/1626	1627-8	1629-30	38,355 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,150 tonne
Cash	1510-12	1525-7	1522/1520	1521-2		
3 months	1519-20	1529-30	1531/1010	1529-30.5	1520-2	74,409 lots
Lead (£ per tonne)						Ring turnover 11,500 tonne
Cash	457-8	450-2	460/458	469-9		
3 months	433-4	435-7	436/432	432-3	432-3	11,210 lots
Nickel ($ per tonne)						Ring turnover 1,536 tonne
Cash	9100-200	9200-300	9300/9100	9130-40		
3 months	8225-50	8200-300	8250/8150	8150-75	8200-50	7,675 lots
Tin ($ per tonne)						Ring turnover 830 tonne
Cash	7090-110	7130-50		7190-200		
3 months	7190-200	7230-40	7320/7175	7290-300	7200-10	5,629 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,150 tonne
Cash	1590-600	1570-80	1615/1605	1615-6		
3 months	1386-400	1405-8	1410/1387	1407-8	1387-400	16,852 lots
Zinc ($ per tonne)						Ring turnover 2,925 tonne
Cash	1540-60	1525-35		1590-80		
3 months	1370-80	1385-90		1385-95	1370-80	1,673 lots

LME Closing £/$ rate: SPOT: 1.5880 3 months: 1.5710 6 months: 1.5470 9 months: 1.5270

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	207.0	206.8	207.9 206.5
May	233.0	231.8	231.2 231.0

Turnover 53 (266) lots of 40 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	408-408½	255¼-255¾
Opening	408¾-409¼	256-255½
Morning fix	409.45	255.906
Afternoon fix	408.50	255.632
Day's high	409½-410	
Day's low	404-404½	

SOYABEAN MEAL – BFE £/tonne

US MARKETS

IN THE METALS, gold futures had a choppy session after Wednesday's heavy declines. Early carryover selling was offset by short covering later in the session. Prices closed nearly unchanged. Platinum and silver closed higher with commission houses featured buyers. Copper fell as commission house selling of the spot December was seen. In the softs, cocoa sank 38 basis March to close at 898. Heavy volume was noted. Sugar and coffee were dominated by the local traders. The grains were mixed with most of the trading taking place early in the day. Prices swayed around unchanged levels for the remaindar of the session. The livestocks had higher belly prices dua to technical action. Live hogs and cattle gained from some commission house activity. Sell stops pushed cotton prices down in brisk trading. The energy complex had two-sided action in most markets. Heating oil was weak as some scattered profit taking prevented rallies.

New York

GOLD 100 troy oz.; $/troy oz.

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	104.75	106.50	106.85	104.75
Jan	104.25	106.20	106.55	104.10
Feb	104.05	105.80	105.40	104.00
Mar	103.75	105.40	105.90	103.50
Apr	103.20	104.80	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	582/2	580/4	586/0	581/2
Mar	596/4	594/4	599/0	596/2
May	606/6	606/6	611/4	606/2

LONDON STOCK EXCHANGE

Profit-taking hits the blue chips

THE WIDELY predicted downward correction in UK equities showed signs of getting under way in late trading yesterday when a bout of profit-taking was boosted by a selling programme in consumer stocks. The market's recent optimism was dented by a batch of dividend omissions from UK companies, including Smith New Court, the large marketmaking firm which admitted that interim results had been hit by a substantial loss on shares in Ferranti International Signal, the troubled UK defence/electronics group.

Account Dealing Dates		
First Dealings:		
Nov 27	Dec 11	Dec 27
Option Declarations:		
Dec 7	Dec 21	Jan 11
Last Dealings:		
Dec 8	Dec 22	Jan 12
Account Day:		
Dec 18	Jan 8	Jan 22

*New time dealings may take place from 9.00 am two business days earlier

Equities tried to open higher but with the ten water privatisation stocks, which provided the drama on Tuesday, now subdued as traders await the expected selling from UK private investors, there was little heart behind an early gain of 3 points on the Footsie scale.

The market began to look dull, but the significant downturn came only in late afternoon when Wall Street opened lower on the back of the re-valuation of the recent bullish opinions on oil stocks. The trading programme which revealed itself towards the close fell on a largely inert market with marketmakers moving prices lower without hesitation.

The day's Seaq volume of 401.5m shares, against 429m on Wednesday, bore witness to the weight of profit-taking sellers; while still too low for comfort, equity turnover has increased over the past fortnight.

The final reading showed the FT-SE Index at 2,367.0, a net fall of 19.2. The Index was pulled down by the sharp fall in oil stocks as UK funds preferred to take heed of the negative views on the sector held by London analysts rather than the more optimistic views put forward by some US houses.

Profit-takers were also evident among blue chip stocks which had benefited from the buying programme seen in the previous session.

No less than six UK companies announced yesterday that they would pass dividend, confirmation of market fears that corporate results would soon begin to reflect the adverse effects of high domestic interest rates.

While many UK securities analysts have been warning of a market setback ahead, there has been no shortage of willing buyers of shares over the past week. The water privatisation issues provided a further boost, as institutions struggled to take the new stocks into their portfolios.

With trading now likely to die away as the Christmas holiday approaches, share prices are proving vulnerable to profit-taking. Yesterday's setback was largely confined to a handful of leading stocks; the question now overhanging the market is to what extent second line issues may be open to similar profit-taking pressures.

FINANCIAL TIMES STOCK INDICES

	Dec 14	Dec 13	Dec 12	Dec 11	Dec 8	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.65	83.66	83.77	83.62	83.14	86.54	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.27	92.19	92.21	92.13	92.02	95.99	99.59 (15/3)	92.02 (8/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1871.4	1880.1	1861.5	1851.8	1862.0	1427.3	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	311.6	317.6	317.4	312.8	300.5	170.7	317.8 (13/12)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2367.0	2386.2	2363.5	2351.4	2363.5	1763.2	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.54	4.52	4.57	4.59	4.58	5.14				
Earning Yld %(full)	11.08	11.01	11.14	11.19	11.13	12.99				
P/E Ratio(Net)(*)	10.93	10.99	10.87	10.82	10.85	9.29				
SEAQ Bargains(5pm)	32,978	39,212	49,723	28,426	30,413	19,191				
Equity Turnover(£m)†	-	1167.58	1616.40	622.26	926.00	686.61				
Equity Bargains†	-	45,712	53,506	24,508	32,305	18,365				
Shares Traded (ml)†	-	600.9	669.1	294.5	427.7	383.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. * Nil 10.88

Ordinary Share Index, Hourly changes — Day's High 1885.5 — Day's Low 1871.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1878.8	1885.4	1881.6	1881.6	1881.9	1881.8	1879.6	1874.2

FT-SE, Hourly changes — Day's High 2389.2 — Day's Low 2367.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2382.6	2388.3	2382.0	2381.7	2382.1	2382.2	2379.2	2371.1

GILT EDGED ACTIVITY

Indices*	Dec 13	Dec 12
Gilt Edged Bargains	78.9	77.0
5—Day average	79.2	81.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	163	308		Comm. Union	390	485	+4	Lloyds Bank	1,800	430	−1	Sears	1,300	104½	−½
ASDA Group	5,000	108	−2	Cookson	1,800	259	−13	LASMO	640	577	−11	Sedgwick	363	300	+2
Abbey National	4,100	172½	+½	Courtaulds	621	380	−5	Lonrho	487	208	−3	Shell Transport	3,500	478	−16
Allied-Lyons	1,600	488	−1	Dalgety	350	400	−1	Lucas	308	632	−11	Siebe	446	463	−6
Amstrad	1,800	45		Dixons	460	134	−1	MB Group	1,800	180	+1	Slough Ests	63	321	
Argyll Group	4,800	208	−3	Eng. China Clays	280	429	−9	MEPC	150	533	+1	Smith (W.H.) A	105	334	−1
Ass. Brit. Foods	400	450	−3	Enterprise Oil	710	640	−15	Marks & Spencer	3,500	201	+1	Smith & Nephew	1,300	132	−1½
BAA	1,800	391	−1	FKI	1,700	82½	+1	Maxwell Comm.	600	235	−2	SmKl Beecham	1,800	611	−3
BAT Inds.	2,100	835	−4	Ferranti	6,300	36	−3	Mecca Leisure	333	165	+1	SmKl Beecham Eq Ut	147	2666	−17
BET	673	217	−1	Fisons	1,100	365	−4	Midland Bank	1,300	385	−2	Smiths Inds.	665	294	−3
BICC	478	471	−6	Gen. Accident	72	1175	+5	NatWest Bank	6,400	345	−1	Standard Chartd.	677	558	−10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas	8,100	226	−6	Harrisons Cros.	348	157	−4	Rank Org.	200	846	+6	Ultramar	1,500	361	−6
British Land	904	382	−1	Hawker Sidd.	277	687	−4	Reckitt & Colman	483	1288	+1	Unigate	845	330	−7
BP	6,200	331	−10	Hillsdown	851	272	−4	Redland	647	547	+6	Unilever	1,000	708	−6
British Steel	8,600	135	+2½	IMI	130	218	+2	Reed Intl.	2,500	442	−7	United Biscuits	1,000	380	−1
British Telecom	4,700	200	−2½	ICI	765	1130	−7	Reuters	1,800	1044	−44	Utd. Newspapers	383	478	+3
Bunzl	1,400	104		Inchcape	577	264	−3	Rolls Royce	1,300	174		Wellcome	1,600	761	+4
Burmah Oil	645	685	+9	Jaguar	9	845		Rothmans	353	803	−3	Whitbread 'A'	1,300	389	−7
Burton	1,800	183	−1	Kingfisher	120	292	+2	Ryl Bk Scotland	2,000	200		Williams Hldgs.	3,500	285	+2
Cable & Wire.	1,700	827	+1	Ladbroke	2,000	321	+4	Royal Insurance	1,100	615	+4	Willis Faber	1,344	388	+2
Cadbury	4,200	353	+1	Land Securities	189	625	−3	STC	1,700	254	−1	Wimpey	309	247	−1
Calor Group	168	420	−4	Laporte	442	465	+6	Saatchi	2,100	251	−1				
Carlton Comms.	646	850	+11	Legal & General	1,400	407	−3	Sainsbury	875	259	−1				
Coats Viyella	1,400	148	−1	Lloyds Abbey	749	303	+2	Scottish & New.	1,700	351	−3				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

British Airways pleases

A meeting between City analysts and senior management of British Airways (BA) found a favourable reception. The shares, which hardly stirred earlier this week on news of its £34m stake in Sabena, the Belgian airline, gained 6 to 219p yesterday on strong volume of 6.4m shares. Hoare Govett and County NatWest Woodmac took favourable views of the meeting, County issuing an enthusiastic note based on European air traffic figures for November.

"It was a very positive presentation, especially on the strategic growth of the company and the management's ability to manage the company in a UK downturn," said Mr Steve Clapham, transport analyst at Hoare. "The shares have been left behind by the market. I have upgraded them to underweighted from a hold and will look again at next year's profit forecast."

Mr Tim Coombs of County said that while European demand had been rising all year, BA had not benefited until November when its European services showed 13.3 per cent growth. He added that BA shares traditionally moved erratically, trading in a narrow range and then staging a breakout. It was due for such a burst, he believed, and the Sabena deal had drawn attention to the stock.

Mr Coombs said other circumstances were moving in the company's favour. Gearing at BA is low at 26 per cent. It is, he said, the most efficient airline in Europe and stands to gain from the deregulation of the industry in 1992.

Standard weak

Standard Chartered, a strong performer in recent days, were a casualty in the banking arena, the shares slipping 10 to 558p on turnover of just short of 2m. It was suggested in the market that a meeting called for 9am, said to be associated with the announcement of the tie-up with Deutsche Landesbank, had been postponed and that instead the bank was about to announce the sale of its Singapore headquarters.

This, traders said, would realise a price less than the £400m mooted some weeks ago. The group's UK headquarters was sold recently for £145m.

Analysts said Standard stock had been overbought on the rather vague takeover bid talk concerning Lloyds and potential European buyers and some rather fanciful prices for its far eastern premises. "We could be going back to reality quite soon," remarked one observer.

Profit taking together with a "sell" programme from UBS Phillips & Drew sent Lucas lower. The shares fell 11 to 632p.

Mr Paul Compton at UBS Phillips & Drew said: "After the sharp rise, shares are likely to drift back 15 per cent below present prices."

Hawker Siddeley also suffered from profit taking following a good run earlier in the week. The shares gave up 4 to 687p.

British Aerospace were firm as the market awaited the outcome of an analysts meeting at the company after the market close, to explain details of both the Al-Yamamah defence contract, and the Personal Communications Network licence won earlier in the week. The shares added 4 to 576p.

Following the meeting, an analyst said: "It was all good news from British Aerospace". He added that PCN licence was likely to net the company almost £350m, and said the company had confirmed receipt of the £2bn from the Saudi deal. But, he said, the company had revealed that the engineering strike was likely to cost it between £20m and £25m this year.

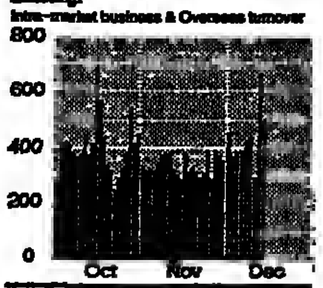
Telfos Holdings, the diversified engineering group were wanted following what the market considered a double dose of good news. The shares gained 7 to 225p, on the previous day's news that the company had scrapped plans to pay £25m for a division of Australian National Industries, the troubled engineering group now controlled by Mr Kerry Packer. The market was also pleased with the news released after the previous day's close that Telfos had sold its 29.4 per cent stake in Walter Runciman, to Forvaltnings Avena of Sweden for £11.2m. Walter Runciman jumped 50 to 475p.

British Steel continued to benefit from positive sentiment surrounding privatisation stocks. The shares firmed 2 to 135p as 8.6m shares were traded.

Western Motor continued to gain from speculation of a bid for the company. The shares improved 10 to 610p.

Lex Service bounced back after the previous day's fall on the back of a recommendation from County NatWestWoodMac. The shares gained 9 to close at 261p. Mr Pete Deighton at County NatWest said: "People have so far ignored the recovery coming through on the electrical distribution side." There was also talk in the market thet Volvo, the Swedish group, might seek to acquire Lex, its current UK car distributor. A Marketmaker said: "Volvo is cash rich and in most countries it carries out its distribution itself."

Equity Shares Traded
Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Provident Financial advanced 11 to 372p after news of the sale of its Whitegate estate agency business for £19m to Legal & General.

Bradstock, the insurance broker, added 10 at 257p after the better-than-expected full-year figures.

The energy sector encountered a bout of profit-taking, triggered by many of the top UK analysts recommending top-slicing in the front line stocks. There were exceptions to the general rule, however. Burmah, where SHV, the privately-owned Dutch group, has built a stake of over 9 per cent in recent months, added 9 at 685p with dealers taking the view that the turnover, 645,000, was higher than usual levels and could indicate some further stake-building by SHV. They also pointed out that the company was a beneficiary of a firm Deutschemark against sterling and had generally been left behind during the strong run up by the oil sector in the past few weeks.

But the profit-taking was evident in British Gas, 4 off at 227p, on 8.1m, BP, which fell 10 to 331p on 6.2m, and Shell which lost a hefty 16 at 478p on 3.5m.

A clutch of second-line property companies reported results yesterday. The most significant was Speyhawk which added 5 to 309p following news of profits ahead of expectations at £23.3m with assets at £5.31 per share where some analysts had predicted £5.20. City Site Estates slipped 5 to 208p on its figures.

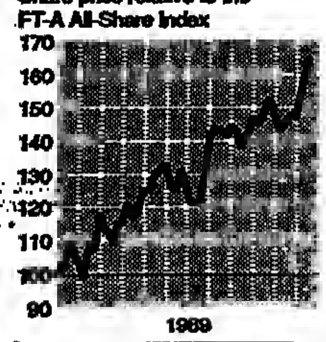
Yellowhammer plummeted 58 to 83p following news of a £150,000 loss against expectations of a £1.1m profit. Gold Greenlees and Trott, another advertising agency, fared slightly better and fell 6 to 200p on its, much healthier, figures.

Eurotunnel dropped 27 to 588p. One researcher said the share continues to be highly volatile partly because of thin volume but chiefly because of the difficulty of analysing a company which has not to yet started producing earnings.

A profits downgrading caused shares in Elys Arrow to ease. The shares slipped 2 to close at 90p as BZW trimmed full year forecasts from £70m to £65m. BZW said it had cut its predictions because of the increase in corporate overheads now estimated to take up an extra £5m.

Business in the water stocks continued to contract after the bonanza levels of Tuesday and Wednesday. Traders said the institutions were generally holding back from the market ahead of next week when they expect a flood of selling from private investors. But there was good support for individual stocks, with Anglian up 6½ more to 156p on 5.4m. And Northumbrian hardened to 157p after a single trade of 750,000 shares; Northumbrian is said to be one of the companies highly attractive to potential predators.

Reuters
Share price relative to the FT-A All-Share Index



Reuters lifted by US buying

North West slipped 2½ to 136½p on turnover of 11m shares, while Severn Trent, on similar turnover, eased a shade to 130p. Thames continued to disappoint, the shares closing a shade down at 137p on 10m. The Package put on 8 to 1422p, after 1430p, on turnover of 157 units.

Cookson were weaker on the back of the previous day's profits downgrading by County NatWest WoodMac. The shares fell 13 to 259p.

The news that BTR Nylex, the Australian subsidiary of BTR is to raise £323m through the issue of convertible preference shares and loan notes, failed to excite the market. The shares gave up 3 to 467p, in two way trading of 2.9m shares.

Poor sentiment following interim figures earlier this week sent Charter Consolidated lower with the shares giving up 6 to close at 480p.

STC shares initially edged up to 258p but later eased to close a fraction off at 254p after the Stock Exchange's overnight ticker provided confirmation of market talk late on Wednesday that a near 7m holding had been sold into the market.

Ferranti continued to suffer, losing 3 more to 36p on turnover of 6.3m on the news that Daimler Benz does not intend to bid for the troubled defence electronics group.

The top telecoms outperformed the wider market with Cable & Wireless, "a concept and currency stock," according to one specialist, edging ahead to 827p. British Telecom dipped 2½ to 200p on 4.7m while Racal Telecom eased 2 to 402p. GEC held up well on news of the joint venture in space technology with Matra of France, closing only slightly easier at 226¼p on 3.3m.

International blue chips succumbed to the general weakness of the UK market and drew little benefit either from recent firmness in the New York and Tokyo markets or from the further dip in sterling. Losses were mostly small, the exception being Reuters which shed 44 to 1044p as US buyers held back and the pressure on London marketmakers was relaxed, at least for the time being. There were hints that Reuters plans a secondary issue of equity and the shares quickly tumbled from the day's top of 1091p.

The food sectors generally showed a majority of falls. But there were exceptions. Ranks Hovis McDougall, where Sunningdale, the Sir James Goldsmith-led takeover vehicle, has a near-30 per cent stake, rose sharply to 429p before ending a busy session a net 5 higher at 424p. Turnover yesterday totalled 1m.

Marketmakers were quick to point out the relatively low level of activity in the stock, "There doesn't look to be much stake-building in RHM as far as I'm concerned," said one. He added that RHM shares had been quiet for at least two weeks and had underperformed the markat "and I wouldn't want to be short of stock for too long."

Berisford International lost 4 to 157p of thin trading of around 750,000 shares, Hillsdown eased 4 to 272p.

Food group Hazlewood Foods held at 251p but dealers said there was extremely keen two-way interest in the stock which advanced 14 on Wednesday on persistent speculation that the rest of the group's frozen food businesses are about to be sold for a figure of upwards of £250m and possibly much more.

Specialists said there were lots of names in the frame to acquire the frozen food businesses, notable Iceland or Northern Foods, and that a sale of these interests "would transform Hazelwoods' balance sheet." But other analysts said the story had been around for some time. Northern Foods shares were 7 ahead at 330p on turnover of 1.3m while Iceland shares were 3 higher at 286p.

ICI (1130p) lay under the shadow of impending negative reviews from one of the big UK investment banks. At 708p, Unilever gave back a few pence of the recent gain. Among pharmaceuticals, Glaxo shaded off to 807p as profits were taken, but SmithKline Beecham at 611p remained close to overnight levels.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

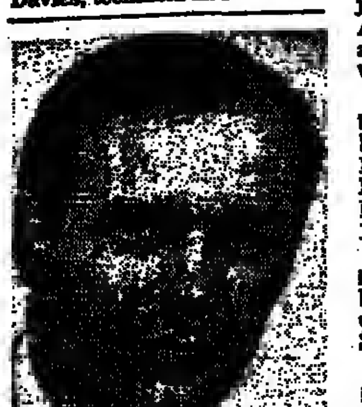
NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (94).
AMERICANS (7) BANKS (11) BREWERS (3) BUILDINGS (1) CHEMICALS (1) STORES (1) ELECTRICALS (1) FOODS (1) INDUSTRIALS (5) Crean (J.), Hestair, ISS-Int Serv Sys, Unilever, INSURANCE (2) PAPERS (3) TRANSPORT (3) TRUSTS (17) OILS (8) Mines (3).
NEW LOWS (37).
AMERICANS (1) BANKS (1) BREWERS (3) BUILDINGS (1) CHEMICALS (1) ELECTRICALS (3) FOODS (2) INDUSTRIALS (10) Amberley Grp., Brown & Tawse, Creston, Delany, Lincoln House Wrrnts., Oriflame, Scot. Heritable, Silentnight, Spandex, Waterford Wedgwood, INSURANCE (2) LEISURE (1) PAPERS (4) TEXTILES (3) TRANSPORT (1) TRUSTS (4).

APPOINTMENTS

Board posts at Lever Industrial

■ Following the acquisition by Unilever of Jeyes Hygiene, the operating board of LEVER INDUSTRIAL from January 1 will consist of: Mr Bryan Long, chairman and managing director; Mr Chris Sanders, deputy chairman and commercial director; Mr Trevor Goul-Weeker, marketing director; Mr Mike Rigby, sales director; Mr John Davies, technical and operations director, Runcorn; Mr Steve Pryor, technical and operations director, High Wycombe; Mr David Leggett, food industry cleaning, laundry and agribusiness director; Mr Ross Cousens, personnel director; Mr Tony Pearson, distribution and service director; and Mr David Sutherland, finance director.



Mr Malcolm Bird *(above)* has been appointed research and technical director of ACORN COMPUTERS, Cambridge. He was CAE software business director with PA Consulting Group.

■ Mr Jeff Wykes has been appointed client services director of SHERWOOD INSURANCE SYSTEMS, a subsidiary of Sherwood Computer Services. He was European regional customer *support* director with Cullinet Software. Mr Peter O'Hara joins as finance director from Abbey National Bank finance and insurance services division where he was a consultant.

■ Mr Rodney Johnson has been appointed a director of BROWN SHIPLEY INSURANCE GROUP MANAGEMENT from January 1.

■ Mr Stephen Denford has been appointed to the board of Si. He was head of the Southampton office.

■ Mr John Dux, editor-in-chief and managing editor of South China Morning Post Publishers, has been appointed general manager and a director of NEWS INTERNATIONAL NEWSPAPERS from January 1. Dr Michael Fairhead will be joining the company as colour and quality assurance director from the same date.

Moves at Airports

Mr Alan Proctor *(right)*, managing director of Heathrow Airport, is to join the board of BAA on January 1. This will follow the retirement of Mr Guy Bell, managing director of Gatwick Airport, and a board member of BAA. Mr Richard Everitt, director, legal services, also joins the board of BAA. Mr Alan Munds, managing director, Stansted Airport, becomes managing director, Gatwick Airport, from January 1. He will be succeeded by Mr Eric Lomas, currently group *management development* manager.

■ Mr Robert S. Jayson has been appointed a director of LONDON MERCHANT SECURITIES. He is group treasurer.

■ CREDIT LYONNAIS UK has appointed Mr Denis Long as head of general banking. He was a general manager with Standard Chartered Bank. Mr Reginald Barnes has been appointed senior manager bank relations and financial institutions.

■ BARING SECURITIES (INTERNATIONAL) has appointed Mr Dermot Monaghan, Ms Manami Akiyama, Mr Toshiyuki Taguchi, and Ms Amy Yip as directors.

■ BIMEC INDUSTRIES has made the following appointments to its Aero & Industrial Technology subsidiary: Mr Richard Thorley, deputy managing director; Mr Brian Coar, director of the combustion technology centre; Mr Robert Spencer, operations.

■ Mr Charles M. Roberts has been appointed president of Blythe Industries Inc, a wholly-owned US-based contracting subsidiary of ALFRED McALPINE. He continues as senior vice president of Alfred McAlpine Inc, US holding company.

■ Mr Glyn D. Harris has been appointed group finance director of E.D. & F. MAN from January 8. He joins from British Petroleum, and will succeed Mr Edward J. Festa who is returning to the US as chief executive officer of Seabrook Enterprises Inc, a recent group aquisition.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373
High Income

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	55.67	56.19	59.78	+0.08	4.58
Gilts & Fixed Int	6	106.90	106.90xd	113.40	-0.10	8.82
High Inc Equity	6	137.00	137.00	146.65	+0.10	4.33
Worldwide Bond	6	207.40	207.60xd	219.9	+1.40	4.82
Capital Growth						
American Growth	6	202.40	204.30	217.40	.....	1.01
Asian Pacific	6	120.30	122.70xd	130.60	+0.90	1.00
Assets & Earnings	6	157.70	157.70xd	168.70	+0.20	2.19
Capital Reserve Acc	0	88.22	88.22	88.39	-0.15	6.79
Capital Reserve Inc	0	78.29	78.29	78.44	-0.14	7.65
Comdty & Energy	6	114.30	114.30	127.60	+0.40	1.49
Dividend & Growth	6	47.00	47.00	50.00	.....	4.50
1992 Enterprise	6	62.59	63.91	67.99	+0.13	2.44
Euro Capital Acc	6	101.70	102.40	109.00	+1.20	0.69
Euro Capital Inc	5	90.00	98.79	105.10	+1.20	0.71
General	6	180.80	180.80	193.40	-0.30	2.59
International	6	62.13	62.99	65.95	+0.36	0.76
Japan	6	127.60	130.00	138.30	+0.50	0.00
Mastertrust	6	99.61	94.61	101.20	+0.80	1.65
KK Growth Acc	6	179.00	179.00	191.50	+0.20	1.66
KK Growth Dist	6	118.20	118.20	126.50	+0.10	2.51
US Emerging Cos	5	54.26	55.77	59.33	-0.14	0.00
Income & Growth	6	308.80	308.80xd	330.30	-0.30	3.10
Ethical	6	47.07	47.07	50.35	+0.12	1.99

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ● - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0990)H						
3 Harbour Exchange, London, E14 9GJ 01-955 5055						
Americas ♦	5¼	73.63	73.63	78.74	+0.79	1.4
Intl Growth ♦	5¼	86.01	86.01	91.98	+0.40	1.0
Income ♦	5¼	130.5	130.5	139.5	+0.90	4.7
Japan Growth ♦	5¼	254.3	254.3	273.4	+3.20	0.1
Pacific Perf ♦	5¼	168.7	168.7	180.4	+0.20	0.1
Small Co's ♦	5¼	128.7	128.7	137.6	+0.40	1.4
Technology	5¼	34.19	34.19xd	36.56	-0.52	0.1
Australia	5¼	64.01	64.01	68.45	-0.38	3.3
UK Trust ♦	5¼	176.9	176.9xd	189.1	+1.10	2.6
European Growth ♦	5¼	76.88	76.88	82.22	+0.10	0.1
Hong Kong ♦	5¼	34.98	34.98	37.41	+0.35	1.8
Intl Income	5¼	22.37	22.37	23.92	+0.04	7.3
S'pore & Mlyia Gth	5¼	38.54	38.54	41.21	-0.11	0.1
British Winners ♦	5¼	26.42	26.42	28.25	+0.15	1.6
Japan Smlr Cos ♦	5¼	31.07	31.13	33.30	+0.38	0.1
Waverley Unit Tst Mngmt Ltd (1600)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.27	16.53	17.58	+0.22	0.90
Pacific Basin	6	31.28	31.28	33.27	+0.16	0.40
Can Balanced Gwth ♦	6	48.73	48.73	51.84	-0.19	0.46
Bionic Man ♦	4	0.9743	0.9743	1.0148	[illegible]	7.59
Penny Share	6	28.47	28.47	30.28	-0.01	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	143.4	143.2	152.4	+1.0	4.91
Wellington Growth	5¼	230.5	232.4	247.3	-0.1	1.20
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	112.7	115.2	120.0	+0.7	4.02
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 9192						
Challenger & F	2¼	63.01	63.01xd	64.06	+0.5	10.00
Short Dtd Gilt ♦ F	1¼	82.37	82.37	83.49	-0.07	6.44
U.S. Govmt Bnd ♦ F	1¼	.5784	.5784xd	.5860	-0.01	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Amt Friars W'wide	5	207.0	210.8	224.2	+4.9	2.35
Windsor Trust Mngrs Ltd (1290)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	+ or –	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	118.0	125.0	+0.2	–
Building Soc. Fd.	128.0	138.0	—	–
Balanced	285.0	300.0	—	–
European	203.0	214.0	+0.2	–
GT Managed	188.0	198.0	—	–
Gartmore Mngd.	129.0	136.0	—	–
German	165.0	174.0	—	–
Gilt	172.0	182.0	-0.1	–
Global	49.0	52.0	—	–
High Inc.	106.0	112.0	—	–
International Equity	203.0	214.0	+0.1	–
Japan	294.0	310.0	+0.1	–
Managed	58.0	62.0	—	–
Property	309.0	326.0	—	–
R.W. Imperial Gold	147.0	155.0	—	–
UK Equity	315.0	332.0	-0.1	–
Pension Funds				
American	151.0	159.0	—	–
Building Soc. Fd.	182.0	192.0	—	–
Balanced	224.0	236.0	—	–
European	202.0	213.0	—	–
German	145.0	153.0	—	–
Gilt	153.0	162.0	—	–
International Equity	144.0	152.0	—	–
Japan	148.0	156.0	—	–
Managed	65.0	69.1	+0.1	–
Property	238.0	251.0	—	–
UK Equity	303.0	319.0	-0.3	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	95.59	101.03	—	–
Pensions Cash Fund	82.58	86.92	—	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd.	614.6	647.7	+1.2	–
Adventurous Mngd.	135.6	142.9	-0.8	–
Secure Mngd.	110.3	116.3	+0.3	–
Cash Fd.	242.9	256.0	—	–
Property Fund	300.0	316.2	—	–
Equity Fund	697.7	735.3	+1.9	–
Fxd. Int. Fund	293.2	309.0	—	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or –	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	205.9	216.8	-1.2	–
Guaranteed	13.81		-0.19	–
International Money	212.0	223.2	-1.2	–
North American	81.0	85.3	+0.1	–
Japanese	167.7	176.6	+1.0	–
European	114.8	120.9	+1.2	–
Special Situations	112.9	118.9	+0.2	–
Communications	101.8	107.2	-0.1	–
Smaller Companies	105.4	111.0	-0.1	–
International Small Co.	143.9	151.5	+0.9	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Dec 6	£163.82	171.00	—	–
Equity Dec 6	£174.92	181.22	—	–
International Dec 6	£30.54	31.22	—	–
Intl Bond Dec 6	£13.10	13.27	—	–
Fixed Inc Dec 6	£74.03	74.86	—	–
Index Linked Dec 6	£63.58	64.38	—	–
Property Dec 6	£116.69	123.92	—	–
Cash Dec 6	£22.2905	22.2905	—	–
Pru-Linked Retirement Plan				
Managed Dec 12	400.7	427.4	+2.8	–
Cash Dec 12	209.5	218.3	+0.1	–
Prudential Pension Investment Account				
Pens Mngd Dec 13	160.7	172.9	-0.5	–
Pens UK Eq Dec 13	295.9	319.3	+0.4	–
Pens Intl Dec 13	208.1	224.0	-1.2	–
Pens Fixed Dec 13	172.0	180.5	+0.8	–
Pens Index Lk Dec 13	166.7	176.1	+1.8	–
Pens Cash Dec 13	136.7	144.0	+0.4	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9RS 01-538 8800				
Aggressive Ptflo Fd.	121.7	128.1	+0.2	–
Balanced Ptflo Fd.	318.5	335.2	+0.8	–
Cautious Ptflo Fd.	124.6	131.1	+0.3	–
Elite Fund	110.0	115.7	+0.2	–
European Fund	99.1	104.3	+0.4	–
Far East Fund	115.2	121.2	-0.4	–
Fixed Interest Fund	248.1	261.1	+1.0	–
International Fund	294.3	309.7	+0.3	–
Money Fund	183.4	193.0	+0.1	–
N. American Fd.	128.0	134.7	+0.3	–
Property Fund	393.7	414.4	+1.0	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
134[illegible]	124	Treas 2pc IL '90(34.6)	134[illegible]	.....	[illegible]	9.98
99[illegible]	98[illegible]	Exch 11pc 1990‡‡	99[illegible]	.....	[illegible]	14.91
101[illegible]	99[illegible]	Exch. 12½pc 1990	99[illegible]	.....	[illegible]	14.59
96[illegible]	91[illegible]	Treas. 3pc 1990	96[illegible]	.....	[illegible]	12.12
97[illegible]	95[illegible]	Treas 8¼pc 1987–90‡‡	97[illegible]	.....	[illegible]	13.90
98[illegible]	95[illegible]	Treas. 8pc Cv 1990‡‡	96[illegible]	.....	[illegible]	13.88
98[illegible]	96[illegible]	Treas. 10pcCv 1990	96[illegible]	.....	[illegible]	13.82
93[illegible]	87[illegible]	Exch 2½pc 1990	92[illegible]	.....	[illegible]	10.69
101[illegible]	98[illegible]	Treas 11½pc 1991	98[illegible]	.....	[illegible]	13.56
93[illegible]	89[illegible]	Funding 5¾pc '87–91‡‡	92[illegible]	.....	[illegible]	11.96
90[illegible]	86[illegible]	Treas. 3pc 1991	90[illegible]	.....	[illegible]	10.48
100[illegible]	95[illegible]	Treas 10pc Cv '91‡‡	95[illegible]	[illegible]	[illegible]	13.01
101[illegible]	96[illegible]	Exch. 11pc 1991	97[illegible]	[illegible]	[illegible]	12.78
94[illegible]	91[illegible]	Treas. 8pc 1991	92[illegible]	[illegible]	8.69	12.64
106[illegible]	100[illegible]	Treas 12¾pc 1992‡‡	100[illegible]	[illegible]	12.67	12.38
99[illegible]	95[illegible]	Treas 10pc 1992	95[illegible]	[illegible]	10.46	12.32
94[illegible]	90[illegible]	Treas. 8pc 1992‡‡	91[illegible]	[illegible]	8.74	12.28
100[illegible]	96[illegible]	Treas 10¼pc Cv 1992‡‡	96[illegible]	.....	10.85	12.10
85[illegible]	82[illegible]	Treas. 3pc 1992	84[illegible]	.....	3.55	10.23
105[illegible]	99[illegible]	Exch. 12¼pc '92	100[illegible]	[illegible]	12.22	12.11
109[illegible]	103[illegible]	Exch 13½pc 1992	103[illegible]	[illegible]	13.04	11.95
94[illegible]	90[illegible]	Treas 8¼pc 1993	90[illegible]	[illegible]	9.07	11.73
100[illegible]	95[illegible]	Treas 10pc 1993‡‡	95[illegible]	[illegible]	10.45	11.57
108[illegible]	101[illegible]	Treas 12½pc 1993‡‡	102[illegible]	[illegible]	12.20	11.66
88[illegible]	84[illegible]	Funding 6pc 1993‡‡	85[illegible]	.....	7.02	10.81
113[illegible]	106[illegible]	Treas 13¾pc 1993‡‡	106[illegible]	[illegible]	12.86	11.51
94[illegible]	89[illegible]	Treas. 8½pc 1994	90[illegible]	[illegible]	[illegible]	11.52
117[illegible]	109[illegible]	Treas 14½pc 1994‡‡	110[illegible]	.....	[illegible]	11.32
113[illegible]	106[illegible]	Exch 13½pc 1994	106[illegible]	[illegible]	[illegible]	11.46
100[illegible]	94[illegible]	Treas. 10pc Ln. 1994‡‡	95[illegible]	[illegible]	[illegible]	11.26

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅛	847p	Hasbro Inc 50c	12½	–⅛	16c	–	0.8
57½	32¾	Honeywell $1½	52¾	+1⅛	$2.75	–	3.3
22⅝	15¼	Houston Inds.	21⅜	+¼	$2.96	–	8.6
76⅛	59⅜	IBM Corpn $1¼	39⅞	–¼	$4.84	–	5.1
60p	45p	Image Storage/R.Sys.Ic	50p	–2	–	–	–
32¾	10¾	Ingersoll-Rand $2	29⅜	+⅞	$1.20	–	2.6
33¾	22½	Lockheed Crpn. $1	25⅝	+⅝	$1.80	–	4.5
22⅝	11¼	Lone Star Inds $1	11¼		$1.90	–	10.7
27⅜	17½	Louisiana Land 15c	27⅞	+1	$1.00	–	2.3
20⅛	11½	Lowe's 50c	19¼		48c	–	1.6
28¾	15⅞	Manuf. Hanover $1	28⅜	–⅞	$3.28	–	9.9
22⅝	13⅞	Merrill Lynch $1	16⅜	–⅛	$1.00	–	3.9
24¾	19⅜	Molex Inc	22¼		3.2c	–	–
30⅜	10¾	Morgan (JP) $2½	26½	+⅜	$1.66	–	4.0
28⅞	24¼	Morris (Phillip)	26⅞	+⅞	$1.13	–	2.6
54⅜	36¼	NYNEX $1	54⅜	+2	$4.36	–	5.0
44p	16p	N'wide Legal Serv.	16p	–3		–	–
24⅞	18¼	PHH Corp.	22¼	+¼	$1.16	–	3.2
259p	167p	Pacific Agr.	179p			–	–
28⅝	19	Pacificorp $3¼	28½	+⅛	$2.76	–	5.8
31½	16⅜	Pacific Telesis 10c	31½	+¼	$1.88	–	3.0
22⅞	15¼	Pall Corp. 25c	20⅛	+⅜	48c	–	1.5
55¼	39⅞	Pennzoil 83 1/3c	54⅝		$3.00	–	3.5
42¼	28⅝	Quaker Oats $5	36⅝		$1.40	–	2.4
32¾	23½	Rep NY Corpn $5	30¼	+⅞	$1.28	–	2.6
16¾	11⅞	Rockwell Intl. $1	13⅝	+⅜	78c	–	3.7
29½	22	Sears, Roebuck 75c	24	+⅞	$2.00	–	5.3
37½	21⅝	Southwestern Bell $1	37⅝	+1⅛	$2.60	–	4.4
27⅜	17⅞	Sun Co. Inc. $1	26	–⅜	$1.80	–	4.4
31¼	22⅞	TRW Inc. 62½c	30¼	–⅜	$1.72	–	3.5
24⅞	14⅝	TW Services $5	21⅜	+⅛		–	–
40⅞	26¼	Tenneco $5	39⅞	+⅞	$3.04	–	4.9
35½	28	Texaco $6.25	35½	–⅜	$3.00	–	5.4
28⅞	10⅞	Texas Instr. $1	22½	–¼	72c	–	2.0
117⅞	58⅝	Time Inc. $1	81⅜	+⅛	$1.00	–	0.8
19⅝	13⅞	TRINOVA Corp.	14⅞	+¼	s68c	–	3.0
26⅜	16	USX $1	22⅜	–⅛	$1.40	–	4.0
321p	126p	Unilab	300p			–	–
36⅝	22¼	Utd. Technologies	33½	+⅛	$1.60	–	3.0
168p	121p	UniTech Inc.	168p			–	–
48¼	51½	US West	47¼	+1⅜	$3.76	–	5.0
22¼	11⅞	Waste Management $1	22½	+½	30c	–	0.9
20⅜	13½	Whirlpool $1	18⅝	+⅛	$1.10	–	3.7
24¼	16⅞	Whitman Corp.	18⅛	+⅛	$1.02	–	3.4
46⅜	28⅛	Woolworth $3½	39¼	+1¼	$1.88	–	3.0

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

(i)ap,14 WATER

For Water Issues see London Recent Equities, page 31

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
■ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... v	88	......
Craig & Rose £1.. v	450	......
Finlay Pkg. 5p... v	63	......
Holt (Jos) 25p..... v	1353	......

IRISH

Cap. 8½% Ln. 1991...	£96⅞	......
9pc Cap Ln. 1996..	£95¼	......
Fin. 13% 97/02...	£113	......
Arnotts..............	400	......
Carrol (P.J.)....... v	156	+1
Hall (R. & H.)......	195	......
Helton Hldgs...... v	94	......
IRG..................	230	......
United Drug.........	145	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	11
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	51
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	58
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	40
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	8
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	45
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark stalls before data

The D-Mark stalled yesterday after its recent strong advance as currency dealers braced themselves for a batch of economic data released later today in the US and the UK. The other major currencies were confined to narrow ranges with trading activity low.

"It was a day of consolidation after the large swings of Tuesday and Wednesday, Mr Ian Amstad, senior economist at Chase Manhattan, said.

However, the day began with the D-Mark looking as if it had disregarded Wednesday's intervention by European central banks. The D-Mark's early strength gave sterling and the US dollar a weaker tone, though the West German unit was soon forced to give up some of those gains as dealers reckoned it had been pushed too high.

But while the speed of the D-Mark's revaluation has led many traders to believe it will suffer a "downward correction", analysts contended it could rise further. Mr Amstad said: "West Germany's loose fiscal and tight monetary policies are a classic recipe for a strong currency." He forecast that the D-Mark would peak at Y85 and DM1.70. The D-Mark closed at Y82.85 from Y82.81 on Wednesday.

The dollar recovered from its early weakness and drifted higher through the European morning. However, the dollar failed to pierce DM1.7380, and spent the rest of the day stuck in a narrow range waiting for the US trade and producer price data later today.

According to a survey of analysts by MMS International, the financial research group, November producer prices rose by 0.2 per cent from 0.4 per cent in October, while the October trade deficit widened to $9.0bn from $7.9bn in September. Dealers said that if the data does show weaker inflationary pressures, the Federal Reserve could ease monetary policy, which would put the dollar under pressure.

The dollar closed at DM1.7370 from DM1.7400 on Wednesday, at Y144.05 from Y144.10, at SFr1.5635 from SFr1.5750, and at FFr5.9400 from FFr5.9475. The dollar's index, as calculated by the Bank of England, rose 0.1 to 68.1.

Sterling was unchanged to slightly lower as dealers reacted to a the larger-than-expected upward revision to the UK's third quarter current account deficit, and other statistics that indicated that the labour market remains tight and is exerting an upward pressure on wage costs. The third quarter current account deficit was revised to £5.51bn from £5.82bn previously estimated. Dealers said the release of the November inflation figures today could be of greater importance. MMS's median expectation is for an annual inflation rate of 7.3 per cent, from 7.3 per cent in October.

Sterling closed unchanged at DM2.7750, at $1.5970 from $1.5950, at SFr2.4975 from SFr2.5125, at Y230.00 from Y229.75, and at FFr9.4850. Sterling's index closed 0.2 lower at 86.5.

£ IN NEW YORK

Dec.14	Latest	Previous Close
£ Spot	1.5970-1.5980	1.5980-1.5990
1 month	0.84-0.83pm	0.85-0.87pm
3 months	2.39-2.36pm	2.48-2.45pm
12 months	8.38-8.28pm	8.67-8.77pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

* Sterling rates in terms of SDR and ECU per £. † European Commission Calculations. All SDR rates are for Dec.13

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Dec.13.

OTHER CURRENCIES

[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8¼-8⅛ per cent; four years 8¼-8⅛ per cent; five years 8¼-8⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 58.30-58.40 Six-month forward dollar 4.94-4.89cpm 12 month 8.95-8.85cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.50-36.60.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; POUND-$ (FOREIGN EXCHANGE)

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; THREE MONTH ECU

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2378.0	2403.0	2376.0	2389.0
Mar	2428.0	2451.0	2428.0	2439.0
Jun	2469.0	2490.0	2471.0	2480.0

Estimated volume 5886 (7146)
Previous day's open int. 32340 (31897)

EUROPEAN OPTIONS EXCHANGE

[illegible]

Series		Vol	Last	Vol	Last	Vol	Last	Stock
Nat.Ned. P	Fl. 75	103	4.30	245	1.10	-	-	Fl. 71
Philips C	Fl. 47.50	2100	1.10	1693	2.90	25	4	Fl. 45.60
Philips P	Fl. 45	178	0.90	356	3.10	78	3.50	Fl. 45.60
Royal Dutch C	Fl. 150	298	2.20	218	6	70	6.70	Fl. 147.50
Royal Dutch P	Fl. 130	200	0.30	-	-	-	-	Fl. 147.50
Robeco P	Fl. 105	510	1.10	-	-	-	-	Fl. 106.40
Unilever C	Fl. 160	269	3.30	51	7.50	20	9.50	Fl. 159.60
Unilever P	Fl. 160	131	3.20	5	6	-	-	Fl. 159.60
Van Ommeren C	Fl. 30	145	2.50	25	3.50	79	4.70 a	Fl. 31.50
Van Ommeren P	Fl. 30	685	1.20	41	2.10	20	2.70	Fl. 31.50

TOTAL VOLUME IN CONTRACTS : 35,345

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Key rate steady

UK money market rates were steady yesterday as sterling traded at slightly lower levels after the higher-than-expected revision to the UK third quarter current account data. The key three-months interbank rate was at 15¼-15⅛ from 15⅛-15 per cent on Wednesday, while in the futures market the March short sterling contract was down 9 basis points at 85.58.

Trading was thin in the quiet pre-holiday period, but also on nervousness before the release of the November inflation figures this morning. The short-end of the money market had sufficient liquidity to avoid any sharp changes in rates before the end of the year. Initially, the Bank of England forecast a flat position in the money markets and did not operate during the morning or afternoon, but provided late assistance of around £40m.

UK clearing bank base lending rate 15 per cent from October 5

Factors draining liquidity included maturing assistance and a take-up of Treasury bills of £175m, a rise in the note circulation of £150m. But this was offset by Exchequer transactions, which were expected to add £305m of liquidity, and banker balances above target £20m.

In Frankfurt call money rates eased to 7.35-7.40 from 7.50-60 per cent, following Wednesday's injection of liquidity by the Bundesbank. At its securities repurchase tender the Bundesbank had replaced DM20.6 of expiring facilities with DM22.5bn, leading to a net DM1.9bn injection of funds. Dealers said this would leave the money market with sufficient liquidity over the Christmas period.

The Bundesbank signalled no change in monetary policy at its policy making council meeting yesterday. As expected it left interest rates unchanged and set its 1990 M3 money supply growth target at four to six per cent.

In New York the Federal Reserve refrained from open market operations, which analysts said carried no policy significance. Federal Funds, at the usual time of Fed's daily operations, were at 8¼ from 8⅜ per cent on Wednesday.

Traders said the US money markets had been quiet before the release later today of the trade and producer price figures. They added that if economists' expectations of a wider deficit and weaker inflationary pressure are correct, the Federal Reserve could start to ease after next week's Federal Open Market Committee meeting.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.14) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.56	Three year	7.71
Two month	7.65	Four year	7.75
Three month	7.85	Five year	7.70
Six month	7.78	Seven year	7.80
One year	7.71	10-year	7.79
Two year	7.75	30-year	7.86

Dec.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.35-7.45	7.80-7.95	7.85-8.00	7.85-8.00	7.90-8.10	8.00
Paris	10⅜-10½	10⅜-10½	10⅞-10⅞	10⅜-10⅜	10⅜-10⅞	9.50
Zurich	7⅛-7⅜	8⅛-8⅜	-	8⅛-8⅜	-	-
Amsterdam	8.18-8.31	8.40-8.50	-	8.40-8.50	-	-
Tokyo	6⅛-6⅜	6⅞-6⅞	-	6⅞-6⅞	-	-
Milan	12⅜-12⅞	12⅞-13⅛	-	12⅞-13⅛	-	-
Brussels	7.50	10⅛-10⅜	-	10⅛-10⅜	-	-
Dublin	10⅜-10½	11⅛-11⅜	11⅜-11⅞	11⅞-12⅛	12⅛-12⅜	-

LONDON MONEY RATES

Dec 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15⅛	15⅛	15⅛	15	14⅞
Interbank Bid	14¾	14⅞	15	15⅛	14⅞	14⅞
Sterling CDs	-	-	15⅛	15⅛	14⅞	14½
Local Authority Deps.	15⅛	15⅛	15	15⅛	14⅞	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	15	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15	14⅝
Finance House Deposits	-	-	15⅛	15⅛	15	14⅝
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅞	15⅞	14⅞	-
Dollar CDs	-	-	8.75	8.45	8.25	0.17
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9	8⅞
SDR Linked Dep. Bid	-	-	8⅞	8⅞	8¾	0⅞
ECU Linked Dep. Offer	-	-	11	11	11	10⅞
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅞	10⅞

Treasury Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14¾ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.4976 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November.30 1989. Agreed rates for period December.26 1989 to January.25, 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Nov.1,1989 to November,30, 1989, Scheme IV&V: 15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from December 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williman Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

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JOTTER PAD

CROSSWORD

No.7,116 Set by GRIFFIN

ACROSS

1 Distrusting everyone with sickly charm, I stop in (12)
10 Promising man work in Fulham, unloading meat (7)
11 People including conservationists I ought to acknowledge (7)
12 Disciple of Zeno, coming back cold, is about to (5)
13 On the way telephoned a royal guest (8)
15 Past Ray, reversing round, see tyre being changed (10)
16 He's made a commercial before lunch (4)
18 Beater heard deer (4)
20 Having spicy chop prepared catch accountant leaving stew! (10)
22 By the side of the main road? (8)
24 Medicine you take at home in bed when retiring (5)
26 In confused state and suffering from insanity (7)
27 Rejected drinks with ice in, being particular (7)
28 Shop assistants provided drinks for every boy on board (12)

DOWN

2 One member takes promissory notes, lacking respect (7)
3 One from Fife performed without getting deeply moved (8)
4 Ordered to forget a lad (4)
5 I can't meet orders after Roger's first payment (10)
6 It's black and white and put in pop (5)
7 Caught by a gang a journalist cowered (7)
8, 9 Warm-up man for an espionage film? (3,3,3,4,2,4,3,4)
14 "He's into toy ship construction" is just supposition (10)
17 Immaculate places the French introduced (8)
19 Screen of an unusual rose colour is installed (7)
21 Getting revolutionary tennis ball accepted causes stress (7)
23 "Perfect", thought the student (5)
25 Man, for instance, in his leotard (4)

Solution to Puzzle No.7,115

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

CANADA

TORONTO
Closing prices December 13

[illegible]

MONTREAL
Closing prices December 13

[illegible]

Total Sales 6,996,676 shares.

INDICES

NEW YORK

DOW JONES	Dec 13	Dec 12	Dec 11	Dec 8	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2761.09	2752.13	2728.24	2731.44	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.45	93.40	93.47	93.41	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1203.41	1212.13	1201.10	1209.46	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	233.46	231.64	228.81	228.75	233.46 (13/12)	181.84 (24/2)	233.46 (13/12/89)	10.50 (8/4/32)

♦Day's High 2784.77 (2764.51) Low 2737.20 (2716.51)

STANDARD AND POOR'S	Dec 13	Dec 12	Dec 11	Dec 8	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	352.75	351.73	348.56	348.69	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	403.07	402.71	398.91	399.22	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	31.57	31.56	31.57	31.64	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.01	194.44	192.83	192.92	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	378.05	377.41	375.04	375.45	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	451.14	450.43	452.42	456.24	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 8	Dec 1	Nov 24	year ago (approx.)
Dow Industrial Div. Yield	3.90	3.87	3.97	3.71

	Dec 8	Nov 29	Nov 22	year ago (approx.)
S & P Industrial div. yield	2.92	2.96	2.98	3.15
S & P Indl. P/E ratio	14.82	14.59	14.51	12.86

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Chemical Bank	3,063,200	31½	- ⅛
Global Marine	2,652,600	3½	- ⅛
AT&T	2,464,000	46⅛	+ 1⅛
Fannie Mae	2,397,800	35½	
Exxon	1,779,200	50⅛	- ½
Texaco	1,635,500	56⅛	- ⅛
Philip Morris	1,632,400	43	+ ⅛
Chase Manhttn	1,589,100	33⅛	- ⅛
Baker Hughes	1,493,100	26⅛	+ ½
Amoco Corp	1,421,200	54⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 13	Dec 12	Dec 11
New York	184.660	178.002	147.130
Amex	15.234	14.471	11.663
NASDAQ	159.282	150.543	133.385
Issues Traded	2,006	2,009	1,977
Rises	785	889	662
Falls	726	639	833
Unchanged	495	481	482
New Highs	128	99	57
New Lows	55	48	55

CANADA

TORONTO	Dec 13	Dec 12	Dec 11	Dec 8	1989 HIGH	1989 LOW
Metals & Minerals	3332.81	3307.53	3293.63	3314.66	3919.2 (1/9)	3207.5 (3/1)
Composite	4005.76	4002.99	3989.38	3982.73	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2046.37	2038.94	2022.73	2021.04	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 14	Dec. 13	Dec. 12	Dec. 11	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1615.6	1615.2	1612.7	1615.8	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	811.0	813.9	806.8	801.0	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	461.44	461.46	462.89	459.09	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6420.37	6443.28	6466.51	6507.61	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	357.17	355.38	354.95	356.75	360.93 (6/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	616.0	617.5	617.1	615.2	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	546.8	551.8	549.4	551.3	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	126.6	126.7	127.0	127.1	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	685.73	685.57	693.14	693.97	780.14 (7/12)	535.78 (27/2)
Commerzbank (1/12/53)	2020.9	2024.0	2046.0	2047.6	2068.9 (7/12)	1595.7 (27/2)
DAX (30/12/87)	1625.77	1638.54	1653.07	1653.70	1664.08 (7/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2876.75	2851.84	2809.58	2763.33	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1768.81	1750.24	1752.71	1727.77	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	675.66	664.04	663.97	664.52	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	38180.70	38062.42	37803.53	37752.67	38180.70 (14/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2871.90	2878.46	2868.02	2873.66	2879.02 (7/12)	2366.91 (6/1)
2nd Section (4/1/68)	3841.54	3826.91	3803.87	3794.59	3841.54 (14/10)	2774.38 (27/3)
NETHERLANDS						
CBS Tst.Rtn.Gen. (End 1983)	261.6	263.4	262.3	263.7	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	200.7	202.1	201.2	202.3	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	678.44	668.85	658.56	659.79	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1062.54	1103.28	1162.21	1211.82	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1467.98	1464.29	1454.81	1448.54	1467.98 (14/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2185.0‡	2221.0	2254.0	2206.0	2254.0 (12/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2811.0‡	2819.0	2809.0	2776.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	928.10	915.72	879.46	844.75	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	303.00	303.03	303.35	303.85	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4151.8	4156.0	4110.8	4072.9	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	758.6	760.6	765.3	770.6	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8427.87	8619.41	8339.40	8176.08	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	834.70	832.10	822.07	(c)	834.70 (14/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	562.5	559.3	556.4	562.5 (13/12)	487.6 (13/6)

**Saturday Dec. 9: Taiwan Weighted Price: 8408.17 Korea Comp Ex. 850.02.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday December 14 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyu	37.9m	2,970	+80	Cosmo Oil	12.8m	1,280	+40
Sanyo Elctrc	29.1m	976	+4	Nissho Iwai	12.1m	1,060	+10
Sumitomo Mt I	23.2m	912	+17	Mitsui & Co.	11.9m	1,310	-10
Nippon Steel	18.9m	813	+11	Sharp	11.4m	1,760	9
Oki Elctrc	18.9m	1,180	+30	Sumitomo	11.2m	1,890	-30

4pm prices December 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
44¾	28¾	XTRA	.72	2.7	22	16	27	26¾	27	
22	21½	XTRA pf1.94		8.4		7	23	20	23	−⅛
4⅛	2	Zapata				4755	3⅞	3⅝	3⅞	+⅛
13¾	7⅞	Zemex	.20	2.4		8	8⅜	8⅛	8⅛	+⅛
21½	11½	ZenithE				802	15⅛	12¾	15⅛	−⅛
2½	3-16	vjZenLb				455	5-16	3-16	¼	
21½	16	ZenNtl	.44	4.4	8	67	19	18¾	12	+⅛
10	8⅞	Zeus	1.20	16.		205	7⅝	7⅝	7⅝	
16½	12¾	Zero s	.40	2.8	16	62	14⅛	14⅛	14⅛	
44⅝	20¾	Zurnin	.78	2.0	12	23	30⅛	38⅝	38⅝	−⅛
15⅝	10	Zweig	1.12e	9.1		285	13⅛	13⅛	12⅛	
8⅞	8⅛	ZweigTl	.86	9.7		1273	9⅞	8⅞	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3pm prices December 13

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
–X–Y–Z–						
XL Dta e		7 671	9⅛	8⅛	9⅛	+⅛
XOMA		7728	u24½	20⅛	22⅛	+2
Xicor		6 9040	3⅞	5½	3⅞	+⅛
YanEnS	.70e	706	22	21½	21½	−⅛
YelowF	.76	12 302	27⅝	27⅛	27½	+⅛
YorkRs		60	7⅛	7⅛	7⅛	−⅛
ZionUt	1.44	4	30⅛	28	28⅛	−⅛

AMERICA

Retailers undermined by Campeau troubles

Wall Street

HAVING rallied on Wednesday to its highest closing level since October 13, the equity market lost confidence yesterday, partly as it absorbed just how deep the troubles are in Campeau Corp's retailing empire, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 9.17 points lower at 2,751.92 on active volume of 110m shares by midsession. On Wednesday, the Dow closed 8.96 points higher at 2,761.09.

News emerged after the market closed on Wednesday that Campeau Corp's Federated Department Stores and Allied Stores snbsidiaries may be forced to seek protection from creditors under Chapter 11 of the US bankruptcy code. This possibility was mentioned in a filing with the Securities and Exchange Commission and was the first time that bankruptcy had been mentioned in an official company document.

Although tronbles in Mr Robert Campeau's highly indehted retail empire have been well known for months, the possibility of bankruptcy heightened nerves and retail stocks were undermined.

J.C. Penney was quoted $⅞ lower at $71¼, F.W. Woolworth was down $¼ to $62¾ and The Limited fell $⅜ to $32. Carter Hawley Hale, another retailer with a lot of debt, was down $⅝ at $7¼. Dayton Hudson fell $1⅛ to $60⅝.

Another reason for nervousness yesterday was that today is triple witching hour, when December stock index futures and options expire simultaneously. In weeks when this happens, the market generally becomes more volatile as institutions adjust their positions before the expiration.

After its rally above the key 2,760 technical level on the Dow on Wednesday, the market was ripe for some profit-taking. Computer issues remain weak, a worrying sign for the market.

On the over-the-counter market, Apple Compnter fell another $1 to $35 while, on the New York Stock Exchange, Compaq Compnter fell $1 to $79⅛, International Business Machines dropped $⅝ to $95½ and Hewlett-Packard was also down $⅝ at $44⅝.

General Motors fell $1⅛ to $43½. The company has reported its lowest market share in nearly 60 years for two months' running. Other auto manufacturers were also lower, reflecting the weakness of sales. Ford slipped $⅛ to $44¼ and Chrysler dropped $¾ to $19¼.

UAL, the parent company of United Airlines, continued this week's slide after the board met but did not hear any formal bids for an employee buyout or any other transaction. Its shares slumped another $3¼ to $165¾.

Today, both the stock market and the Treasuries market will focus on a clutch of economic releases which include November's prodncer prices index, industrial prodnction and capacity utilisation data as well as October's merchandise trade balance.

The US Federal Reserve has maintained its 8¼ per cent Fed Funds target and attention will *clearly be focused on today's* set of figures to see whether they are weak enough to induce the Fed to loosen its grip on credit.

Canada

TORONTO suffered a wave a nerves after the Campeau news, and stocks fell across the board. Campean fell as low as C$3.40 before settling at C$3.90, down 90 cents.

The composite index slipped 11.7 to 3,994.1 on volume of 13.1m shares. Declines led advances 295 to 197.

Connaught BioSciences fell C$⅛ to C$36⅞ after Wednesday's rise of over C$4. Institut Merieux won a takeover battle with a bid of C$37 a share and said it now controls more than 99 per cent of Connaught's shares.

Vancouver acts to clean up its poor image

David Owen reports on the reforms being carried out to encourage more investors

IT HAS been an eventful year for the Vancouver Stock Exchange (VSE), the highly speculative west Canadian bourse. It may, shortly, even be granted official recognition by the UK's Securities and Investment Board, in spite of its reputation for scandals.

The first four months of the year were relatively bumdrum, with volume slack and the VSE index sliding geutly lower on the back of a quiet gold market. But red lights started flashing in May when Forbes, the important and opinionated US periodical, published a highly derogatory article proclaiming Vancouver the "scam capital of the world."

The exchange was given a strong lease of life in August, however, thanks to torrential volume – including a record-breaking 53.5m shares on August 28 – triggered by promising assay results from a gold exploration project in north-western British Columbia.

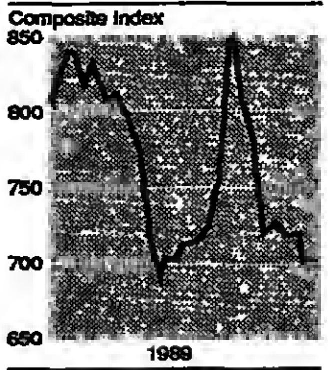
The results were released by Mr Murray Pezim's Calpine Resources, part of the project group, and the strike was made in the rugged Eekay Creek area, not far from other promising gold discoveries.

Since early October, the quiet days have returned. On Wednesday, the VSE index fell 4.19 to 701.91 (against a peak in 1987 of 2,015.48), and volume was a pedestrian 14.7m units. Mr Donald Hudson, the exchange's president, says: "I think onr market is still reflecting the slow involvement of the retail investor."

New listings this year look like finishing significantly below last year's aggregate of about 300, a decline which is widely attributed to the recent adverse publicity.

Although the small investor is still cautious about Vancouver, Mr Hndson is adamant that things are improving. Activity may have been slow for much of the year, but the summer purple patch will be enough to carry the exchange to its second highest annual volume on record.

Vancouver
Composite index



Indeed, the August and September revivals have been a godsend for the market in several respects. Previously, observers were increasingly inclined to view the October 1987 stock market crash, and the enduring slump in retail business that it engendered, as the exchange's death knell.

"The upturn silenced a lot of critics, who said that the VSE would never recover, and demonstrated conclusively how well our computerised system has worked," Mr Hudson says.

Screen-based trading is one of a series of changes and reforms implemented by the exchange in a bid to overhaul the market and improve its unenviable image. Dealing in all VSE stocks will be computerised by the end of January. The exchange is also addressing the sensitive issue of what is to be done with its trading floor.

Overhauls of ths surveillance and listing systems have also been undertaken.

Meanwhile, the British Columbia Securities Commission, formerly much criticised, has adopted a more aggressive stance under Mr Neil de Gelder, its highly regarded superintendent, who is soon to step down. In ths year to March, the commission took 464 enforcement actions, compared with 246 in 1987/88.

Reform has been necessary, too, to iron out problems with ths exchange's treatment of the type of fledgling commercial/industrial ventures that it has been trying to attract as part of a diversification policy.

The problems arose from the initial failure to differentiate sufficiently between the respectivs financing requirements of commercial enterprises and mine exploration companies. Until 1987, according to Mr Hudson, "we were listing companies which were not far enough along in their development.

"I think we have done a pretty good job of amending our regulations to recognise the difference between the two types of activity," he says.

EUROPE

Lethargic mood broken by Milan and Frankfurt

A TENDENCY towards a pre-Christmas slowdown was broken yesterday: in Italy by an increase in business which suggested that Milan had already had enough of a rest, and in West Germany where issues were confused by computer problems at the Frankfurt Stock Exchange, *writes Our Markets Staff.*

MILAN greeted the new January account with a 1.7 per cent rise in moderately active trading, the Comit index putting on 11.62 at 675.66.

Features inclnded a L171 rise to L11,040 in Fiat, after a local newspaper report improving on official company forecasts for 1989; and a L49 gain to L1,640 for Enimont on an agreement to exchange some industrial assets with the Agnellie chemnicals unit, Snia.

Analysts were not overly impressed with either story, arguing that Fiat could be enjoying the tail-end of a motor industry boom and that *Enimont combines* a weakening industrial situation with uncertain management strength.

They saw more sense in a further 11 per cent rise in Mondadori – focus of the power struggle between Carlo De Benedetti and Silvio Berlusconi – which has risen L19,000 to L53,000 since Tuesday. "Mondadori is a very thin market," said one, "and I wouldn't be selling in this situation; I'd be waiting to see what either of the big groups will offer."

FRANKFURT had a disorganised day as ths stock exchange computer system broke down, volume declined and prices fluctuated, with the accent on the downside.

After a rise of 0.16 in the FAZ index, which closed at 685.73 in mid-session, the DAX had dropped 12.77 to 1,625.74 by the time of tbe computer breakdown, half an hour before the official close. There was mnted argument thereafter, about whether it would have closed lower still, or regained a point or two.

Volume slid from DM7.1bn to DM5.5bn and blue chips came under pressure with Deutsche Bank, Siemens and Volkswagen, which topped the individual lists, dropping DM7 to DM761, DM5.60 to DM638, and DM9.80 to DM490.20 respectively.

However, there was a feeling, after the Bundesbank held interest rates and set new monetary targets yesterday, and the dollar stabilised, that prices could start to rise again. Some, of course, had not fallen: Kloeckner-Werke, subject of a revised earnings forecast from the Dresdner Bank, rose another DM4 yesterday to DM191 for a three-day gain of DM20.80.

PARIS saw thin trading as buyers stayed away, with many foreign dealers clearing their positions in readiness for the Christmas holiday period.

Worries over the possibility of a rise in interest rates to defend the franc added to the sombre mood. The OMF 50 index finished 2.45 down at 534.20. The CAC real time index declined 5.80 at 1,954.62.

Paribas was still attracting attention, with 430,000 shares changing hands. After reaching a high of FFr708, it closed at FFr692, FFr14 up on the day, as talk of a possible foreign buyer led the market.

The car group, Peugeot, came under pressure, declining FFr7 to FFr685, following its announcement that it would not be able to clear its debts this year as planned.

Chargeurs rebounded after yesterday's FFr49 fall, rising FFr37 to close at FFr1,352.

Of the smaller companies, Fromagerie Bel, a cheese manufacturer, was popular, jumping FFr90 to FFr2,532 on speculation of a possible bid.

AMSTERDAM slipped back in quiet trading as dealers also held back prior to the holiday period. The uncertain investment climate affected the Polygram flotation which struggled to hold its opening price of Fl 31.50.

After making gains yesterday on the back of some positive exploration news from Africa, Royal Dutch Shell declined, closing Fl 1.90 down at Fl 147.50.

The chemicals sector was comparatively strong following DSM chairman Mr Hans van Liemt's interview in a regional paper in which he discussed the prospect of restructuring in the Dutch chemicals sector. DSM pushed up 20 cents at Fl 113.50, while Akzo closed 30 cents higher at Fl 133.40.

The CBS tendency index lost 0.7 points to close at 183.6 in volume of Fl 550m.

MADRID closed weaker in thin volume, the general index finishing 0.79 points down at 303.00. November's inflation figures were released too late to affect trading, but dealers said it was unlikely to be great.

STOCKHOLM opened strongly but was depressed in afternoon trading by a report from a government economic institute which painted a gloomy picture of the economy. The report forecasts slower growth, a widening current account deficit and higher inflation.

The Affärsvärlden General index ended at 1,222.0, up 4.5.

Shares in Volvo resisted the late downward trend and continued to rise on the strength of the Volvo-Procordia deal involving the leading drugs group Pharmacia and food company Provendor. Its free B shares rose SKr15 to SKr435. Pharmacia's free B shares fell SKr7 to SKr863.

OSLO closed at a new two-month high, boosted by renewed interest in conventional shipping and oil transport sectors. The all-share index rose 6.98 to 521.65, the highest since October 13, in trading worth NKr490m.

The oil group, Saga, closed NKr1.5 higher at NKr63.5 after it revised its 1989 profit forecast upwards to NKr800m from NKr600m.

BRUSSELS continued to react to Wednesday's increase in short-term Belgian interest rates; the cash market index suffered its fifth consecutive decline, falling 22.91 to 6,420.37 in light trading.

However, utilities, normally among the most sensitive to changes in interest rates, were little affected.

TURKISH investment fund purchases boosted trading volume on the Istanbul Stock Exchange to a record high.

Volume, which averaged TL13.43bn last week, reached TL72.80bn at the close. The market index, based on 100 in January 1986, closed at 1,704.45, up from 1,656.42 last Friday and Wednesday's 1,674.96.

ASIA PACIFIC

Nikkei continues to break records

Tokyo

LINGERING worries about *high share prices* were wiped out by selective buying, and further bouts of index-linked and arbitrage bnying which took the Nikkei average to its second consecutive high, *writes Michiyo Nakamoto in Tokyo.*

In earlier trading, the yen's weakness against the dollar and fear of high prices led share prices slightly lower. However, by the second hour of trading the Nikkei had resumed its record-breaking upward trend and closed the day up 118.28 at 38,180.70.

During the day, the Nikkei moved from a high of 38,201.57 to a low of 37,993.73. The greater number of declines, 567, against advances of 373 with 194 unchanged, indicated that the market's rise was rather narrowly based. Turnover fell to 833m shares from an already moderate 874m on Wednesday. The Topix index, more hroadly-based than the Nikkei, slipped 6.56 to 3,871.90.

Apart from the support that index and arbitrage buying offered the market, interest in selected issues was the main driving force behind yesterday's rise.

Non-ferrous metals, in particular, enjoyed popularity, led by a strong rise in Dowa Mining. A leading daily reported that Japan's Metal Mining Agency had discovered a rich vein of gold near a closed mine owned by Dowa.

Ms Toshiko Seo, an analyst at Schroder Securities, pointed out that the vein of gold found in this mine had a very high yield at 109 grams per tonne *against an average in South* Africa of 7 grams per tonne. She added that the yield needed to be studied further and that the mine would not be ready for excavation for at least two years. However, the company's positive announcement encouraged investors, "to buy a dream," she said.

Dowa Mining closed up Y200 at a record Y1,230. It was also suggested, however, that dealers had a particular interest in promoting non-ferrous metal issues.

Dowa is one of three leading companies which will resume dividends next March for the first time in several years.

Their dividends will be high enough to allow them to issue eurodollar warrants and although the companies have not announced plans for raising capital, investors suspected that they will be doing so – and that large securities firms which will be underwriting those issues were supporting their share prices in advance.

Lagging electricals were chased. Sanyo Electric was second in volume with 29.1m shares and gained Y4 to Y976. It was supported by its low share price, and expectations that sales to Eastern Europe would surge.

Among electricals, Sanyo is ons of the few issues below Y1,000. Some market participants also pointed out that brokers who had underwritten Sanyo's convertible bond issue in June were supporting its share price in order to encourage CB holders to convert their *bonds into equities.*

Tokyu was the top volume issue with 37.9m shares and was bought in anticipation of further rises in railways which have been neglected for a while. It rose Y80 to Y2,970.

Steels were selected in anticipation of further buying when specialised investment trusts come into the market. Sumitomo Metal was third in volume with 23.3m shares, adding Y17 to Y912. Nippon Steel also saw a gain of Y11 to Y813.

Osaka came under pressure from profit-taking in hi-tech issnes and the OSE average rose only 21.72 to 38,966.22. Volume fell to 90.6m shares from the 101.4m traded on Wednesday. Nippon Steel gained Y16 to Y825.

Roundup

MIXED trading in the Asia Pacific region saw Manila and Taipei end their recent surges, whils Seoul and Hong Kong continned their impressive uptrends.

HONG KONG followed its recent gains with further progress yesterday in steady trading. The Hang Seng index closed 24.91 ahead at 2,876.75, a rise of 121 points this week.

Turnover edged down to HK$1.29bn from Wednesday's HK$1.4bn but remained well above the daily average of recent weeks. Utilities and banking issues were most in demand, after lagging the market in recent days.

MANILA declined for the fourth successive session following the coup attempt last week, as market participants remained anxious about the prospects for short-term political and economic stability.

The composite index dropped 40.74 points to 1,062.54, with declines leading advances 43 to four, while 18 issues were unchanged. Trading was light with investors remaining extremely cantious until the situation becomes clearer.

TAIPEI ended its recent surge as profit-taking sent the weighted index tumbling 191.54 points to close at 8,427.87.

Trading volume rose to 1.28bn shares valned at NT144.9bn, compared with Wednssday's 1.1bn at NT115.06bn.

SEOUL rose for the third consecutive session in heavy trading as investors continued to be buoyed by the Government's economy package announced on Tuesday. The composite index gained 12.38 to close at 928.10 in volume of 33.4m shares valned at 783.8bn won.

Advances ontnumbered declines 547 to 388, while 106 shares closed unchanged.

NEW ZEALAND's Barclays index fell another 42.08 to 1,910.49 as doubts about the country's expected economic recovery fuelled ths bearish sentiment in the bourse.

The index has lost 7.5 per cent since the close of trade on November 30.

SOUTH AFRICA

A WEAKER bullion price, profit-taking and waning interest as Christmas approaches caused gold shares to close lower in Johannesburg. The JSE all-gold index ended at a preliminary 2,185, down 36.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 13 1989						TUESDAY DECEMBER 12 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	146.63	+0.4	136.29	124.06	+0.3	5.48	145.98	134.97	123.70	160.41	128.28	142.16
Austria (19)	168.09	+1.4	156.24	150.83	+0.7	1.61	165.73	153.28	150.75	172.22	92.84	86.04
Belgium (63)	150.39	+0.7	139.79	133.00	-0.3	4.12	149.39	138.13	133.70	150.39	125.58	134.20
Canada (122)	153.07	+0.7	142.28	128.52	+0.4	3.17	152.06	140.60	128.05	154.17	124.67	120.66
Denmark (38)	235.02	+0.4	218.46	214.41	-0.1	1.47	234.15	216.49	214.58	237.08	165.35	155.22
Finland (26)	131.27	+0.8	122.01	112.51	+0.1	2.50	130.28	120.45	112.70	158.16	118.83	133.44
France (126)	149.33	-0.6	138.81	135.32	-0.6	2.67	150.60	139.25	140.09	150.60	112.57	111.11
West Germany (96)	111.43	-1.4	103.58	100.80	-1.0	2.07	112.97	104.45	101.87	112.97	78.98	87.95
Hong Kong (46)	119.63	+1.3	111.20	119.87	+1.2	4.76	118.15	109.24	118.42	119.63	83.16	98.07
Ireland (17)	176.55	+1.8	164.11	165.58	+1.1	2.66	173.48	160.40	161.77	176.55	125.00	131.13
Italy (97)	93.10	-0.8	86.54	89.57	+0.0	2.64	93.81	86.74	89.92	95.73	74.37	87.67
Japan (455)	197.22	+0.0	183.32	179.64	+0.2	0.45	197.12	182.28	179.24	200.11	164.22	166.99
Malaysia (36)	218.58	+1.4	203.18	227.32	+1.3	2.34	215.46	199.21	224.46	218.58	143.36	141.88
Mexico (13)	299.45	-0.6	278.36	974.47	-0.2	0.59	301.25	278.53	976.12	326.51	153.32	172.45
Netherland (43)	139.47	+0.2	129.64	125.02	+0.5	4.26	139.26	128.76	124.42	139.47	110.85	110.13
New Zealand (18)	71.74	-0.7	66.68	63.88	+0.7	5.81	72.29	66.81	64.12	85.16	62.54	73.22
Norway (24)	192.07	+1.3	178.54	173.62	+0.7	1.57	189.51	175.31	172.69	198.39	139.92	133.70
Singapore (26)	175.53	+1.0	163.16	154.26	+0.2	1.94	173.87	160.76	158.88	175.53	124.57	119.93
South Africa (60)	167.02	-0.1	155.25	160.64	-0.1	3.55	168.04	155.37	160.85	183.04	115.36	116.50
Spain (43)	162.65	+0.7	151.18	138.07	+0.1	3.61	161.56	149.39	137.89	169.75	143.14	150.12
Sweden (35)	183.63	+1.9	170.71	168.92	+2.0	2.02	180.15	166.58	167.52	185.80	136.45	144.56
Switzerland (62)	91.14	-1.0	84.71	88.88	-1.1	2.01	92.02	85.09	89.97	94.15	67.81	72.18
United Kingdom (303)	154.65	+0.3	143.75	143.75	+0.3	4.32	154.12	142.50	142.50	152.47	133.28	133.65
USA (544)	142.85	+0.3	132.78	142.85	+0.2	3.27	142.41	131.67	142.41	148.29	112.13	112.13
Europe (990)	136.32	-0.2	126.72	126.28	+0.1	3.36	136.56	126.26	125.13	136.56	112.63	113.13
Nordic (121)	180.60	+1.2	167.87	159.15	+0.7	1.79	178.48	165.02	158.08	180.60	137.95	136.32
Pacific Basin (668)	192.28	+0.1	178.73	175.06	+0.2	0.69	192.11	177.63	174.84	193.04	160.44	164.72
Euro-Pacific (1658)	170.01	+0.0	158.03	155.13	+0.2	1.56	170.01	157.18	154.64	170.01	144.20	150.08
North America (666)	143.58	+0.3	133.25	141.95	+0.3	3.28	142.88	132.11	141.50	148.86	112.79	112.57
Europe Ex. UK (687)	124.05	-0.5	115.30	114.10	-0.4	2.71	124.69	115.28	114.55	124.69	96.30	100.22
Pacific Ex. Japan (213)	133.05	+0.7	123.68	118.54	+0.5	4.67	132.14	122.17	117.90	140.05	111.93	121.88
World Ex. US (1853)	169.57	+0.1	157.71	154.54	+0.2	1.83	169.64	156.85	154.29	169.57	141.49	146.49
World Ex. UK (2094)	159.48	+0.1	148.22	151.25	+0.2	1.94	159.33	147.31	150.86	159.48	138.98	135.69
World Ex. So. Af. (2337)	158.84	+0.1	147.64	150.45	+0.2	2.13	158.69	146.70	150.09	158.84	136.57	136.14
World Ex. Japan (1942)	140.89	+0.1	130.97	135.50	+0.2	3.36	140.68	130.08	135.17	140.89	114.51	113.30
The World Index (2397)	159.01	+0.1	147.80	150.51	+0.2	2.14	158.64	146.68	150.15	159.01	136.68	136.22

Constituent change 13/12/89: Deletion: Jaguar (UK).

JOBS

Catch questions ● What expatriates spend

By Michael Dixon

IT was Ulysses who first discovered the lotus eaters, if we can believe the poet Tennyson. They lived in a land where it was "always afternoon," he said.

Thereafter, a lot of them clearly emigrated. For it is not long since whole colonies of lotus eaters could be seen upholding their native way of life in offices. Fortunately, for one reason or another, they now appear to be less thick on the ground.

Even so, they look to have been replaced by another tribe with time-wasting habits. Calling themselves recruiters, they live in a land where it is always morning on April Fools Day.

Evidence of their widespread presence is in readers' responses to this column's *remarks on job interviewers'* questions that are seemingly asked with the sole purpose of catching the candidate out. Since I last raised the topic just four weeks ago, three dozen more of you have cited recently encountered examples, wondering what is the best way of answering.

There simply isn't room to quote them all. So I will have to concentrate on the one apparently most in vogue, having been lobbed at no fewer than 11 informants, in one case by interviewers from two separate outfits.

Luckily, where the tactics of answering are concerned, the trendiest is typical of the bulk of the others. It is: *What irritates you?*

The reply it virtually kneels and begs is: "People who ask what irritates me". That, however, is central to the interviewers' strategy. Research shows that the prime object of most of them is not to recruit the right person for the post, but to avoid picking the wrong one. *If they can trick candidates* into disqualifying themselves by giving an offensive reply, so much the better.

Hence anyone tempted to make the obvious answer would do well to choke it back. The golden rule to remember is that the only good time to renounce your *chance of a job is when you* have the offer of it in writing in your hands.

Nor is it wise to try to be clever, perhaps by looking round the recruiters' rooms for clues to their taste so as to feign fellow-feeling by naming something *they* find irritating. For instance, suppose the walls were laden with pieces of abstract art — it would be mistaken to answer: "The fauve style paintings of Piet Mondrian." To do so would perilously risk breaking another golden rule, enshrined by James Thurber: Never twit a police dog about its badge.

The best policy with any question probing weakness is to reply with something that will be seen *as the opposite.* So the model answer to *What irritates you?* is: "People who don't pull their weight."

Overseas costs

NOW to the table adjacent which, believe it or not, stirred up much argument on *its last* appearance in this corner of the FT a year ago.

As before, it is compiled from the surveys made by the Employment Conditions Abroad consultancy which earns its living by advising more than 500 subscriber-companies about pay, perks and the costs of living *around the world.* Anyone wishing to know more about ECA's activities should contact Barry Rodin at 15 Britten St, London SW3 3TY; telephone 01-351 7151, fax 01-351 9396.

The intention of today's exercise is to supply a rough answer to a question often asked, not by recruiters, but by executives thinking of moving to work overseas. It is: if I took a job in such-and-such a country, how much would it cost me to keep up the standard of living I have here at home?

Nationality of mid-rank manager*	Gross salary in homeland	Cost of keeping up "home" pattern of spending on consumer goods in: United Kingdom	United States	Switzerland	Netherlands	West Germany	France	Australia	Japan
	£	£	£	£	£	£	£	£	£
British	28,100	8,950	10,860	15,570	11,020	12,450	12,720	11,190	22,700
American	47,810	13,550	11,720	19,220	14,510	15,550	16,270	13,550	27,270
Swiss	57,640	11,490	11,870	15,600	12,680	13,600	13,750	12,180	24,470
Dutch	36,670	8,170	8,680	12,390	8,040	9,520	10,070	9,020	18,540
W. German	49,620	10,290	10,810	14,940	15,780	11,390	12,290	10,870	21,870
French	38,660	10,870	11,290	15,980	11,460	12,480	12,600	11,560	24,310
Australian	31,560	9,010	9,050	13,300	9,580	10,610	10,780	8,680	19,510
Japanese	61,950	5,070	5,200	7,400	5,270	5,980	6,180	5,310	8,940

* Responsible for function such as marketing in medium-sized company.

Alas, even though ECA collects data on some 70 countries, it can provide a statistically respectable answer to that question for only eight nationalities of managers working in each others' native territories. In every case they are doing the same kind of job at a similar rank, characterised by the head of a function such as marketing in a company of medium size.

The table first shows their typical gross salary at home, expressed in sterling at the average of exchange rates between mid-September and last week. Then we have the sums which, according to the consultancy's most recent surveys, the executives would have to shell out to keep up their accustomed pattern of expenditure on consumer goods both in their native country and in each of the other seven.

Alas again, those sums do not represent the full costs of living. The reason is that, since people working as expatriates often live in accommodation subsidised to varying degrees by their employer, the figures take no account of the price or rent of housing. They cover only consumer goods and services, including durables, as well as standard utilities.

The focus of the argument which broke out when the table last appeared was the startlingly low expenditure on consumer items of the Japanese managers wherever they happen to be. Taking homeland outlay as a gauge, they apparently spend only 14.4 per cent of gross salary on such things. The next most economical are the Dutch with 20.8 per cent, followed by West Germans with 23, Americans with 24.5, Swiss with 27.1, Australians with 27.4, French with 31, and British with 31.9.

Various hypotheses were advanced. But the consensus was that the thrift of the Japanese was something of a miracle, particularly since — as one reader said: "Their homes are crammed with a plethora of the very latest products, both everyday items (white goods, hi-fi, video, tv) and marginal luxuries such as heated carpets and speaking clocks."

So how they do it remains an enigma. If anyone can supply a solution this year, I would be very glad to know what it is.

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ACCOUNTANCY COLUMN

US firms set up sales and marketing teams

By Pratap Chaterjee

THE DOORBELL rings. When you open the door, you discover an apologetic young person outside. He/she coughs politely, extends a hand and says: "I do hope I'm not disturbing you. I'm from a local accountancy firm. We have a few services we thought you might . . ."

It hasn't happened yet. But while door-to-door sales appear unlikely to happen in the accountancy profession, at least three small US accountancy firms have salesforces whose job is to sell their services. First- and second-tier firms could follow.

Chicago-based Friedman, Eisenstein, Raemer & Schwartz, and Friedman & Fuller based in Rockville, Maryland, have had salesforces of 10 or more for just under two years, while Los Angeles-based Singer, Lewak, Greenbaum & Goldstein hired a salesman about four months ago.

The sales people work with a traditional marketing division that identifies potential clients and markets and designs specific strategies or new products and services to target them.

The salesforces are a result of legislative changes as well as a growing awareness by US accountants that the market is becoming more competitive.

In 1977, the American Institute of Certified Public Accountants (AICPA) lifted its ban on cold-calling (uninvited sales visits and telephone calls) and advertising. Last year it lifted its ban on accepting commissions and contingency fees. Both decisions were taken under pressure from the Federal Trade Commission (FTC), which termed the bans "unfair trading practices."

Putting the rule into practice has been much harder because of local state institute or legislative opposition. Only Maryland, Oklahoma, South Dakota, Texas, Vermont and West Virginia explicitly allow commissions and contingency fees.

In Florida, for example, the local accountancy institute bans cold-calling to the extent that, according to one AICPA official: "Handing out a business card at a cocktail party would be illegal."

Members have sued the Florida institute and won in lower courts, and the AICPA predicts that eventually, if the profession demands it, they will get their way. So far, commissions and contingencies are still taboo while cold-calling and sales are conducted with decorum.

Accountancy firms have developed fairly sophisticated marketing divisions that research possible new market niches for the firm and explore old ones in order to expand them.

Targeting is done through a mixture of advertisements, newsletters, promotional brochures, seminars and by encouraging partners to join and participate in local trade associations.

Most disdain direct sales. Mr Alan Brout, national marketing director for BDO Seidman, said: "It's not quite professional. It would probably damage our reputation." Instead, his marketing people will train partners in the art of selling.

Friedman & Fuller was set up 10 years ago by former Laventhol & Horwath accountants. The firm employs 130 people and has five subsidiary consultancies.

The firm began using salespeople when they set up a risk management consultancy. It was a two-person subsidiary but it was discovered that the firm's business went through peaks and troughs depending on whether the two professionals were seeking business or servicing it.

The firm decided that they were wasting valuable chargeable time by expecting their professionals to solicit work so they hired someone to do it for them. When that was successful they decided to extend the sales concept to the rest of the firm including the accountancy division. Of the 13 sales people the firm employs, six work for the accountants but also tend to sell consultancy services.

Mr Barry Friedman, president of Friedman & Fuller, said: "We expect the salespeople to develop leads by identifying new clients, contacting them and perhaps even meeting them initially.

"After that a partner takes over and 'closes the sale,'" he continued. "We never expect the sales people to close the sale but they are paid according to the amount of work they generate."

Friedman, Eisenstein follows a similar philosophy. It first considered the idea of employing sales people two years ago when the firm had invited several of its clients to a retreat to help the partners understand how to run the firm better.

Mr Allen Koltin, a partner, said: "When we showed no commitment to marketing or sales, the clients challenged our claim to running the firm like a business.

"We said that is the way our profession has always operated. They responded that if an accounting firm advised them not to have a salesforce, they probably would fire the firm on the spot."

Friedman, Eisenstein now employs a sales staff of 10, and Mr Koltin is using the skills they have learnt from that sales experience to sell to other accountancy firms through a marketing services subsidiary called the Practice Development Institute.

"We teach them guerrilla marketing, creating weapons and artillery to sell their products and services. After that they can use salespeople to implement the tools or keep that function within the marketing group," said Mr Koltin.

He claims that his salespeople have more than a 50 per cent likelihood of closing a deal once they meet a prospective client: So far about 250 firms in the US, Canada and West Germany have used the services of the Practice Development Institute to find out how they can improve their sales.

Firms say there is a fine line between marketing and sales, and many of them would prefer not to appear too commercial.

For example, Mr Budd Eichner, an accountant with Chicago-based Blackman Kallick Bartelstein, uses the titles business development, marketing or sales representative interchangeably. Although as an accountant he does spend some of his time working for clients, solicitation is his primary job and he spends most of his time finding clients for other professionals in the firm.

Ms Judith Trepeck, a marketing specialist and a member of the AICPA committee on management and accounting practice, said: "You can count on both hands the number of firms that use sales people and the reason is accountants are so afraid to say that they do it.

"But most accountants do need sales and marketing people because they find it difficult to generate leads. Most of them don't even know how to work a cocktail party. Unfortunately they are not yet sure what service they do need."

She gave the example of a Maryland firm that recently hired an outside marketing agency to sell its services.

"The managing partner is extremely pleased with the service but he's actually getting quite a bad deal. He pays close on 20 per cent of his revenue up-front," she said.

Most accountancy firms think of sales as a dirty word. But privately they recognise that it has come to stay.

One first-tier firm in Los Angeles has gone as far as hiring business graduates to comb through referrals, develop business leads, contact them and then turn them over to partners. But they have not gone public about it yet.

Whether the FTC is correct in its belief that the consumer will be better served because of the competition that cold-calling, commissions and contingency fees will generate is another question.

Certainly Mr Harvey Goldstein, whose firm Singer, Lewak recently hired a salesman, doesn't think so: "Deregulation does not make things fairer. Look at the airline industry," he said.

But he added that he was quite happy to take advantage of the law.

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This high profile role will involve liaison with senior management and extensive travel – 50-75%, throughout Europe (eg France, Spain, Italy). In addition to good interpersonal skills, candidates should be qualified ACA, ACMA or ACCA, aged 25-35 and able to demonstrate a proven track record of audit experience. Language skills, particularly French, although not a prerequisite would be a considerable advantage.

Interested candidates should write, enclosing a full CV, to Helen Wallis at Michael Page Finance, Centurion House, 136-142 London Road, St. Albans, Herts AL1 1SA. Alternatively, contact her on 0727 65813.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Practice Director

Northampton **£35,000 + Car**

Shoosmiths and Harrison is a successful and progressive firm of solicitors with a reputation for quality. With 9 offices, 50 partners and over 200 staff, they are one of the leading firms in England. The partnership has recognised the need to strengthen the support function, to enable the professional practice to flourish.

The Practice Director will be of Partner status and whilst the role will be to co-ordinate all administration, the primary function will be that of financial control, encompassing the preparation of:

* 5 year business plan
* budgets and forecasts in accordance with the plan
* financial reports on a monthly and yearly basis
* commentaries on performance against budgets.

Further responsibilities will include input on the financial and taxation implications of every major decision made by the partnership, overseeing the firm's computer systems and undertaking a full review of the branch reporting and accounting structure.

Candidates, probably 35-45 years old, will be qualified accountants (preferably ACA) with sound commercial/business experience and a good understanding of computerised systems. Experience within a multi-site service related environment, whilst not essential, will be a distinct advantage.

More important will be your interpersonal and communication skills, which will need to incorporate tact, doggedness, maturity, confidence and resilience.

Interested candidates should write, enclosing a full CV and daytime telephone number to Paul MacIldowie ACA at Michael Page Finance, Imperial Building, Victoria Street, Nottingham NG1 2EX.

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FINANCIAL CONTROLLER

REDROW GROUP

An outstanding career opportunity in the North West

£ Excellent + Bonus + Car + Benefits

Redrow Group is a £100+ million turnover group of companies engaged in residential and commercial development, contracting and civil engineering. During their fifteen year history the group has achieved unprecedented turnover and profit growth. The Board of dynamic and highly motivated Directors feel this is only the beginning and demonstrate total commitment to ambitious plans for the future.

An opportunity has arisen for an outstanding individual to join this group as Financial Controller of a major subsidiary in the North West.

The business operates autonomously and the individual appointed will report to and work closely with the Managing Director. As a key member of the management team, responsibilities will include total control of all financial matters along with a significant contribution to the general operation of the business.

To be considered for this excellent opportunity, you will be a qualified Accountant, probably in your late twenties or early thirties. You will possess an excellent track record of achievement both academically and throughout your career. Your strengths will include outstanding communication skills, drive, commitment, enthusiasm and an ability to make things happen. You will be energetic but demonstrate a mature business attitude and have full confidence in accepting the demands and challenges of this commercial role.

The package is negotiable for the right candidate and it must be emphasised that opportunities in the group are excellent.

Interested applicants should forward a full curriculum vitae including details of present salary and daytime telephone number to Alison Hill or Mary Byrne at Stark Brooks Associates, 2nd Floor, St. James's Buildings, Oxford Street, Manchester M1 6FQ, or alternatively telephone on 061 236 1212. All applications will be treated in strictest confidence.

STARK BROOKS ASSOCIATES
Accountancy Recruitment Consultants
MANCHESTER ◆ LEEDS

Finance Manager

Your future in consumer credit management

Circa £45K + substantial benefits (Tax free) Kuwait

Our client, a leading consumer credit company which is also the major independent instalment credit finance company in Kuwait, has a simple philosophy - people are their greatest resource.

It is this philosophy that has made many of their managers stay on to enjoy the professional challenges and benefits unique to our client.

And though the Finance Manager they are now seeking will initially have a two year contract, the scope for long term employment and career progression is excellent and actively encouraged.

Reporting directly to the General Manager, you will assist in the preparation of annual budgets and ensure they are co-ordinated effectively. You will negotiate with lenders, agreeing terms, reviewing loan facilities and ensuring that every contract adheres to the agreed terms.

The role involves a high degree of people and data management and therefore you should possess excellent interpersonal and IT skills to enable you to make a major contribution to the company's future.

Probably a graduate or with a recognised accountancy or business qualification, you should be highly analytical with substantial experience of cash forecasting, financial modelling and treasury functions. Your corporate funding experience will have helped you gain the insight needed to apply your accounting skills in a relevant and highly professional manner. This will mean at least seven years' in a similar role, some Middle Eastern exposure proving useful.

Our client actively encourages personal and career growth and provides attractive rewards to high achievers. Along with a negotiable salary, free of local income tax, they offer furnished accommodation in this pleasant and sophisticated country, car, medical insurance, 30 days' holiday and paid family flights.

If you wish to be part of our client's success please apply in writing, enclosing a full CV and current salary details to Ghassan Yazigi, MSL International (UK) Limited, 32 Aybrook Street, London W1M 3JL quoting ref. 1303/1.

MSL International

PEGASUS GROUP PLC

Group Chief Accountant

Northamptonshire

to c£27,500 + fully expensed car and benefits

Pegasus Group plc is a successful and highly profitable USM quoted computer services Group, firmly established as the clear market leader in microcomputer accounting applications. Other activities encompass the supply of business forms and computer supplies and distribution of open systems software throughout the UK and Europe. Our plans are for continued expansion through acquisition, technical innovation and penetration of new markets.

Due to internal promotion a vacancy has arisen for an experienced, qualified finance professional, who will play a vital role in the financial management of our business. Reporting to the Group Financial Controller, the successful candidate will lead a small team having complete responsibility for the production of the management and statutory accounts of the Group's operating companies. Of equal importance is the generation of management information, Group consolidation and close liaison with auditors and tax advisers. Furthermore, there will be an opportunity to contribute to the successful integration and control of future acquisitions.

The successful candidate will be a qualified accountant with sound technical strengths, probably with a background in the Profession. You will have gained experience of computerised accounts and a working knowledge of taxation. Above all, you must possess the necessary inter-personal and organisational abilities to work to strict deadlines.

This is an exciting opportunity to contribute to and influence the financial control of this successful Group. The company provides a first class benefits package, including a fully expensed car, together with an environment which recognises and rewards genuine talent.

Please write, in confidence, with full career and salary details to:

Andrew Savage,
Personnel Manager,
Pegasus Group plc,
35-41 Montagu Street,
Kettering,
Northants
NN16 8XG

EXPERIENCED QUALIFIED CONTROLLER required for catering company. Salary £20/30k plus benefits. C.V.'s to Ref H.J. Jameson Group plc. London EC1V 8AD. Tel 01 253 [illegible].

Financial Controller

£24,000 + benefits

An exceptional opportunity to be in at the beginning and create your own system as Financial Controller of the trading arm of the London Borough of Bromley. Bromley Contractor Services are newly set-up to run Bromley's Direct Service Organisations. Our aim is to compete with the best in the private sector, expand our business and succeed.

You will advise the Managing Director, present forcasts and business plans and control the budget of nearly £15m. You will develop and manage all financial systems and take a full part in the management team of this exciting venture.

Further information/application forms are available from the Managing Director, Bromley Contractor Services, Central Depot, Baths Road, Bromley, Kent BR2 9RB. Closing date for applications: 29th December 1989.

Bromley
THE LONDON BOROUGH

SOMETIMES, BEING NO. 1 JUST ISN'T ENOUGH

ACCOUNTANTS – SALARY NEGOTIABLE PLUS SUBSTANTIAL BENEFITS

At the Halifax we pride ourselves on our progressive approach to business, not least because it has brought us proven success as the World's No. 1 Building Society.

Now we've expanded into new and exciting areas of financial services, offering an ever increasing range of products, services and advice to our 14 million customers, and further major growth is planned. These changes have resulted in the need for more and better financial information. To assist us, we are now looking to recruit the following:–

FINANCIAL PLANNING ACCOUNTANT

An ambitious accountant to strengthen our Financial Planning Department, you'll have extensive experience of specifying, developing and operating complex multi-relational micro-based financial models to aid management decision making. You'll be a qualified accountant, and consultancy or financial institution experience would be an asset. This is a high profile appointment and confidence in your ability to influence the way we do business is essential.

COMMERCIAL LENDING ACCOUNTANTS

The position will include financial appraisal of borrowing companies, assessment of risk, and financial evaluation of the Society's own housing related projects. You'll also be involved in the development of new commercial projects along with providing a full financial service to housing subsidiaries.

You will be a qualified accountant and have gained experience within a housing, property or construction company, lending institution or professional firm.

Within this fast-changing environment, you'll find that achievement is recognised and rewarded. You'll enjoy a competitive salary dependent on experience, a profit related bonus scheme and impressive financial benefits including a concessionary mortgage, contributory pension, free life assurance and free BUPA membership. A car will also be provided.

To find out more please apply in writing, with a full CV, including salary details, to Divisional Manager, Group Central Services (Ref. C.C.), Halifax Building Society, Trinity Road, Halifax, West Yorkshire HX1 2RG.

Halifax is fully committed to equal opportunities for all.

HALIFAX

COOPER ENERGY SERVICES - U.K.

Cooper Energy Services - U.K. is an established and highly successful subsidiary of a diverse major U.S. Corporation. From our Merseyside operation we enjoy a leading role in the design, manufacture and support of complex capital equipment for the oil, gas, petrochemical and power generation markets throughout the World.

Our success demands quality people to support our quality product and continued demand creates several opportunities for dedicated, hardworking professionals who enjoy total involvement coupled with challenge and opportunity.

Two outstanding opportunities are available in the U.K. Finance Area.

Only dynamic, hardworking qualified professionals seeking not only a few but a continuing challenge need apply. These high visibility positions report directly to the U.K. based Financial Controller and communicate regularly with Divisional and Corporate Finance Areas in the U.S.A. Salary common with experience.

MANAGER GENERAL ACCOUNTING

Responsibilities include management of foreign exchange exposure, maintenance and control of general ledger, unit revenue recognition, sales analysis, accounts payable and payroll. M S A ledger and Lotus 1-2-3 experience a plus. Specialised accounting areas include P O C accounting as it relates to a job cost system in a highly engineered, complex product.

MANAGER COST ACCOUNTING

Responsible for management and control of the standard cost system and other cost related functions. A new fully integrated computer system has been installed and is operational and this coupled with a surge in business volume provides for an exacting and exciting environment. This key position is required to interface daily with Manufacturing Management in the assembly and text areas of the plant. Experience with Lotus 1-2-3 a plus.

If you are seeking upward career mobility in a dynamic, fast paced manufacturing environment, look no further. Call today for an application form or send a comprehensive C.V. to:-

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Dunnings Bridge Road
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Tele: 051 521 6555

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Senior Financial Managers

COHSE THE HEALTH CARE UNION

FINANCE OFFICER

Salary circa £30,000 per annum plus car **Banstead, Surrey**

COHSE the Health Care Union has a vacancy for a Finance Officer to undertake the efficient and effective management of its Finance Directorate comprising nineteen employees and to contribute to the strategic decisions of the Union.

Based at the Head Office in Banstead, Surrey, you would be one of the Union's three Chief Officers, responsible in particular for all aspects of the Confederation's finances, giving sound financial advice and providing critical analysis and monitoring of income and expenditure.

If you hold a relevant professional qualification, with managerial experience, can demonstrate a proven track record and would enjoy this very demanding role, please contact Val Gibbons, Personnel Assistant on 0737 353322 ext 265, who will be pleased to send you a job description and application form.

Closing date for completed applications will be 10 January 1990

Interviews are expected to take place on 31 January 1990.

COHSE is an Equal Opportunities Employer.

Financial Controller

West of London **c£30,000 + Car**

Our client is a rapidly growing group of companies with a strong international reputation. Their worldwide activities comprise sophisticated environmental engineering processes, manufacturing operations and joint ventures. Annual turnover is projected to increase by 100% this year, reflecting their continued growth and development.

An opportunity has now arisen for a qualified accountant to join their senior management team. The successful candidate will have full financial responsibility including providing accounting support for acquisitions and mergers. Strategically there will be opportunities to participate in the systems integration and production of development plans.

The ideal candidate will be aged 28-35, qualified (preferably ACA), but more importantly have experience in fulfilling corporate responsibilities in a growth orientated, international environment. A self starter with good inter-personal skills and a "hands on" approach is essential. Exposure to USA accounting practices is an advantage.

If you have the experience and drive to succeed in this challenging environment please apply to Tina Shortman at Michael Page Finance, Windsor Bridge House, 1 Brocas St., Eton, Berkshire SL4 6BW.

MP

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General Manager – Business Development

Kuala Lumpur, Malaysia
MR120,000 + benefits + car

An Established International company, with a long tradition of business success in the South-east Asian region, has a vacancy for a General Manager – Business Development.

The person appointed will be responsible for the planning of business expansions and the identification, analyses and formulation of short and long-term strategies for a corporation in which constant reviews of finance, joint-venture projects and acquisitions will be required to ensure optimum resources utilisation. It is further anticipated that the appointee will conduct investment and diversification studies with external information sources on economic and social trends.

We seek a top-level executive for this position. The remuneration indicated above is not necessarily the maximum but should be viewed as an indicator of the level of seniority required.

The executive appointed should have a minimum of 10 years' experience in corporate planning in a large international group and/or in a merchant/investment banking environment. He should have tertiary qualifications in a commercial discipline e.g. MBA, B Comm, B Econs or be a qualified accountant.

The position requires a self-motivated and dynamic person with good planning and communication skills and the ability to interface maturely with top management and external contacts. Expatriates are also welcome to apply for the position.

Please fax or mail your career details to Aman Karim, Ref: 9208, PA Consulting Group, 5th Floor, Bangunan Getah Asli, Jalan Ampang, 50450 Kuala Lumpur, Malaysia. Fax: (03) 2618231.

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Finance Director

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c.£45,000 + bonus South East

An outstanding Finance Director with systems bias to work in rapidly changing, challenging environment playing a key role in future growth of leading Service business.

THE COMPANY

◇ Highly profitable subsidiary of blue chip FT-SE100 manufacturing and services multinational.

◇ U.K. market leader in fast expanding sector. Business planned to grow to £100m by 1992.

◇ Dynamic, sales-led business with extensive regional operation serving large commercial customer base.

THE POSITION

◇ Fully responsible for all financial and management accounting, forecasting and planning. Lead experienced team. Report to M.D.

◇ Evaluate and integrate acquisitions. Refine financial systems to prepare for rapid growth.

◇ Analyse and contribute to strategic issues.

QUALIFICATIONS

◇ Accountant with outstanding intellect and academic qualifications. Aged 32-45.

◇ Senior manager from £50m+ business. Multi-site experience, preferably from a large sophisticated group.

◇ Previous business integration and acquisition experience needed. Strong personal presence, strategic and commercially minded.

THE REWARDS

◇ Excellent base salary, bonus, non-contributory pension, relocation expenses, and executive benefits.

◇ Top finance job in very exciting business. Real career development opportunities within major plc.

Please reply in writing, enclosing full cv, Reference BH4974
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

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THE BANK FOR INTERNATIONAL SETTLEMENTS
an international institution
in Basle, Switzerland,
invites applications from

BUDGET ANALYSTS

to fill a position in its General Secretariat.

The position will involve work regarding the elaboration of budget procedures, the preparation of the annual budget and the ongoing control of expenditure. Candidates should be approximately 30 years of age, have good academic records and several years' working experience in the area concerned. They must be able to draft clearly in English. A working knowledge of French and/or German would be desirable.

Good salary, first-class pension and welfare schemes plus other ancillary benefits.

Please write, enclosing curriculum vitae, copies of testimonials and recent photograph, to the

Personnel Manager,
Bank for International Settlements,
4002 Basle, Switzerland.

Management Development Accountant

Bahrain ***£Neg. Tax Free + Benefits***

Our client is a leading Petrochemicals Company operating in the Gulf and specialising in the production of Gas liquids.

Established in the early 1980's as a joint venture between several Gulf States, tha company operates a highly sophisticated processing plant employing some 400 staff and with an annual turnover in excess of US$60m. The requirement for a Management/Development Accountant has arisen through growth and the need for greater and improved managemant information. Reporting to the Finance Manager (British CA), responsibility will be taken for leading a team in the preparation of all management control information and for overseeing the continued development of a fully computerised finance function.

The post would suit an ACMA aged 27-35, ideally with experience in a processing environment. Bahrain offers a superb lifestyle for either a single person or married couples wishing to make their first move overseas. Benefits include an attractive tax free salary which allows for capital savings, furnished accommodation, air fares, school fees, etc.

ASA International has prepared a full slide presentation on the Middle East which offers a full view of the lifestyle and it's business activities. This is available to be seen on request.

To obtain further details on this position, contact Charles Cotton on 01-353 1244 or write with CV to ASA International, Ludgate House, 107 Fleet Street, London EC4A 2AB.

ASA International

Group Financial Director

Construction Industry

Derbyshire **£50,000 + Profit Share Share Options + F/E Jaguar**

Our client, a rapidly expanding private group of companies in the construction and property development industry, is looking to recruit e capable accountant with experience of project financing to the position of Group Financial Director and Company Secretary.

Working closely with the Group Managing Director, the position will take responsibility for the development and implementation of policy for the Group's financing, accounting, computing and secretarial activities to provide a cost effective service to the operational units of the Group. Specifically this will include profitability planning, project financing and cashflow forecasting. The Group, which is involved with planning, design and building construction activities and the property development market, has e forecast turnover for the current year in excess of £15m with a healthy level of profits.

The position attracts a progressive remuneration package to include a share option scheme, profit sharing, a fully expensed executive car and, where appropriate, assistance with relocation.

Applicants for the position should be qualified Chartered or Certified accountants, aged 35–45 with a minimum of three years' related experience gained within a trading, construction or building environment. Additionally candidates should have first hand experience of modern computing techniques.

Please write in complete confidence, enclosing e curriculum vitae with salary details quoting reference 8672 to:

Peter Childs, Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

"OHRA is a leading manufacturer of cantilever racking, especially for long lengths, and other racking systems. In view of the importance of the British timber and metal industries and other promising markets for the line of our products, we have incorporated OHRA U.K. on the 5th of September, 1989.

We are looking for a

SALES MANAGER

for this British company who will successfully represent our products and secure the share of the market potential which justifies the high standard and quality of our products.

If it would be a challange for you to work for a successful producer of racking systems, your direct application is much appreciated.

A knowledge of German could be helpful, but is not essential.
Please, send your written application to:"

OHRA Regalanlagen GmbH
P.O. Box 4147 D - 5014 Kerpen 4
Tel: Germany 02237/641 65
Fax: 02237/64 152

International Fund for Agricultural Development, IFAD (United Nations), Rome (Italy) seeks candidates for post of CONTROLLER - Grade D1/2.

Under the general supervision of the Vice President, the Controller serves as tha senior financial officer responsible for the Fund's financial matters, including development of appropriate policy, design of accounting and financial systems and supervision of the financial control system. In this rola, the Controller supervises two main functions: the budget and accounting for all Fund Activities: loan administrative functions including all aspects of withdrawals under financing agreements for loans and grants and recovery of loan principal and interest/service charge payments. The Controller advises management on the expenditures needed to carry out the annual programme of work for loans and grants and prepares budgets for IFAD's regular activities and any supplementary funding arrangements for consideration by the Fund's governing bodies. The Controller also serves as Secretary to the Audit Committee of the Executive Board. He/she proposes and supervisers policies related to staff travel; he/she administers the staff compensation plan, and he/she carries on a range of other duties related to financial matters.

Candidates should have recognized professional accounting membership or MBA or Master of Commerce and at least 10 years experience of which 5 should be at management level. International experience desirable preferably an International financial institution or in an organization of the UN system. Familiarity with computer systems. Full command of English; knowledge of Arabic, French, or Spanish, an advantage.

SALARY: Depending on experience and qualifications.

Initial contract: two years
Send applications by 10 January 1990 in duplicate to:

Personnel Division
IFAD
Via del Serafico
00142 ROME
Italy
Only shortlisted candidates will receive an acknowledgement.

Outstanding Career Opportunity – Hertfordshire

FINANCIAL DIRECTOR DESIGNATE

Excellent Salary Prospects ● Prestige Car ● Benefits

Galley Matrix is acknowledged as the South's leading distributor to the fitted kitchen industry. The Company (independently owned) has shown an impressive growth and profit record (current turnover circa £10m) and we now wish to strengthen our top management team with the appointment of an experienced Financial Director Designate.

This appointment is e first class opportunity for those prepared to demonstrate their absolute commitment to quality, service and success. In addition to taking control of the financial management of the Company, a high degree of input to our development strategy team is expected to help ensure the continued growth and prosperity of the Company.

Full C.V. required marked "Private & Confidential" to the Managing Director.

GalleyMatrix

Galley Matrix Ltd.,
1 Brick Knoll Park,
Ashley Road,
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COMMERCIAL FINANCE BROKER

Due to continued expansion, a further experienced individual is required, to join this fast growing company.

A salary of not less than £30,000 p.a. plus normal benefits, such as quality can be paid. In addition a Bonus Structure is in operation.

Please write with CV to: Managing Director

ANGLIA FINANCIAL PLANNING LTD
14 ARCADE STREET,
IPSWICH, SUFFOLK IP1 1EJ
TELEPHONE: 0473 232567

FINANCIAL CONTROLLER (DIRECTOR DESIGNATE)

North London C£32,000 + car + benefits + share options

We are an autonomous subsidiary of on e of the UK's leading publicly quoted security companies whose turnover is £100M. Based in North London, with several branches throughout the UK, we are seeking a highly motivated chartered accountant to play a key role in the reorganisation which is now taking place.

As a senior member of a dynamic team you will report to the Managing Director and assume direct control of all accounting staff. You will be expected to develop a computer based management control system to achieve a high level of financial and management control in the company.

As well as the usual financial capabilities, the successful applicant must be able to engender enthusiasm and drive amongst his staff and colleagues, and demonstrate a good track record of practical management and successful implimentation.

Interested candidates should write, enclosing a recent c.v. and current remuneration package to Box A1419, Financial Times, One Southwark Bridge, London SE1 9HL

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